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13 May 1980

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2007

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UKASE ENCOURAGES JOINT ECONOMIC VENTURES WITH FOREIGN COMPANIES

Sofia DURZHAVEN VESTNIK in Bulgarian No 25, 28 Mar 80 pp 273-275

[Bulgarian People's Republic State Council Ukase No 535 on Economic Cooperation Between Bulgarian Juridical and Foreign Juridical and Physical Persons]

[Text] In accordance with Article 94, point 2, paragraph 2, of the Constitution of the Bulgarian People's Republic, the State Council of the Bulgarian People's Republic issues the following

Ukase No 535

on economic cooperation between Bulgarian juridical and foreign juridical and physical persons.

Chapter 1

General Stipulations

Article 1. The purpose of the present ukase is to encourage economic cooperation between Bulgarian juridical persons and foreign juridical and physical persons through the establishment of favorable legal, financial, credit, customs, and other conditions for the organization of mutually profitable economic activities.

Article 2. (1) Economic cooperation between Bulgarian juridical persons and foreign juridical and physical persons shall encompass production, scientific-technical, engineering, development, marketing, and other types of activities in industry, agriculture, construction, trade, transportation, services, and tourism.

(2) Activities related to economic cooperation may take place both within the Bulgarian People's Republic and in other countries.

Article 3. Economic cooperation shall be accomplished through contracts for industrial cooperation and creation of companies. Such contracts shall be concluded providing that they enhance the scientific and technical level of production and its effectiveness and quality of output, broaden export possibilities, increase positive foreign exchange results, and more completely meet the requirements of the national economy.

Article 4. (1) The industrial cooperation contract shall call for long-term scientific and technical, production, and trade mutually profitable cooperation.

(2) The association contract shall stipulate joint economic activities based on shares invested by the parties, and joint management and distribution of profits and losses. The contract shall stipulate whether or not the association is a juridical person.

Article 5. Industrial cooperation contracts shall be concluded by permission of the Council of Ministers.

Article 6. (1) Relations between Bulgarian and foreign participants in an economic association shall be settled on the basis of the present ukase and the contract.

(2) Should problems unresolved on the basis of the present ukase or the contract arise in such cooperation, they shall be settled through the mutual agreement of the parties; in the failure to reach agreement, they shall be settled through accepted arbitration. The decision of the arbitration authority shall become part of the contract.

(3) Disputes related to the interpretation, execution or termination of the contract shall be settled in accordance with the stipulations of the preceding paragraph.

Chapter 2.

Associations Not Considered Juridical Persons

Article 7. The contract for the creation of associations not considered juridical persons shall mandatorily stipulate the following:

1. Name and seat of the association;

2. Object of association's activities;

3. The association's term;

4. Payments by the associates and the method for their assessment;

5. Management of the association's affairs and the decision-making method;

6. Representation;

7. Procedure for material and technical supplies, marketing, price and foreign exchange-financial conditions and import and export activities;

8. Procedure governing the drawing up of a balance sheet and distribution of profits and losses;

9. Procedure for terminating the association.

Article 8. The association contract may not be concluded for a term exceeding 15 years. By request of the parties the term may be extended by permission of the Council of Ministers.

Article 9. (1) The parties may contribute cash, objects, knowhow, services, and rights to meet the purpose of the association.

(2) Contributions shall be assessed on the basis of international prices.

(3) The share of foreign participation may exceed 50 percent. The stipulated share may be amended by permission of the minister of finance and minister of foreign trade.

(4) Permanent objects as well as nonreplaceable items (machines, equipment, installations, and so on) shall be contributed for general use. The associates shall retain their ownership rights on such items.

(5) Cash, replaceable objects, and objects destroyed in the course of their use, whether contributed or acquired for the association, shall belong to the associates. Moveable property created as a result of joint activities shall be considered joint property.

Article 10. (1) The parties may stipulate that the association shall be headed by an administrative council and a board of directors.

(2) The rights of the administrative council and the board of directors, as well as the number and allocation of seats in them shall be stipulated in the contract.

(3) The chairman of the administrative council and the chairman of the board of directors shall be Bulgarian citizens.

Article 11. (1) The administrative council shall meet no less than once annually. It shall determine the basic directions of the activities of the association, appoint directors, approve the balance sheet and the distribution of profits and losses, unless otherwise stipulated in the contract.

(2) The board of directors shall manage the current activities of the association unless otherwise stipulated in the contract.

Article 12. (1) Decisions concerning the activities of the association shall be passed on the basis of the unanimous agreement of all associates and, respectively, all members of the administrative council and the board of directors.

(2) The associates may delegate responsibilities for current affairs to individual members of the administrative council or the board of directors.

Article 13. The coordination of the activities of the association with the planning, financial, commercial, and other state and public organizations and organs in the Bulgarian People's Republic shall be the duty of the Bulgarian associate.

Article 14. The associates may obtain credit for the association from Bulgarian or foreign banks. The conditions under which the Bulgarian associate may obtain credits from foreign banks shall be determined by the Bulgarian National Bank.

Article 15. Funds related to the activities of the association shall be recomputed from leva into foreign currency and from foreign currency into leva in accordance with the official published exchange rate of the Bulgarian National Bank.

Article 16. The Bulgarian Foreign Trade Bank or its foreign correspondent shall open special bank accounts for the associates in leva and foreign currency. The Bulgarian associate may open special bank accounts abroad by permission of the Bulgarian Foreign Trade Bank.

Article 17. The Bulgarian Foreign Trade Bank may guarantee compensations to the foreign associate for property damages incurred as the result of acts taken by organs of the Bulgarian state.

Article 18. (1) Profits and losses shall be distributed among the associates in accordance with their shares unless otherwise stipulated.

(2) Any stipulation excluding some associates from participation in profits or losses shall be considered invalid.

Article 19. Every associate shall have the right to dispose of his share of the profits. The foreign associate may use his share of the profits either within the Bulgarian People's Republic or transfer it out of the country.

Article 20. (1) The association shall be terminated following the expiration of the term, by agreement of the associates, and unless otherwise stipulated, in the following cases:

1. Should the association find it impossible to reach its objective;

2. Should one of the associates go into bankruptcy;

3. Should one of the associates fail to implement a major obligation;

4. In the death of or the restriction of activities of one of the associates--a physical person.

(2) Following the termination of the contract the foreign associate may take out his liquidation quota from the Bulgarian People's Republic or transfer it to the Bulgarian associate or to another Bulgarian juridical person.

Chaper 3.

The Association as a Juridical Person

Article 21. (1) The contract on the founding of an association which shall be a juridical person the parties must mandatorily be defined:

1. The name and seat of the association;

2. The object of its activities;

3. The term of its duration;

4. The statutory capital and amount of share contributions;

5. The rights and obligations of the members;

6. The management organs and the decision-making procedure;

7. The representation;

8. The procedure for material and technical supplies, marketing, price and foreign exchange-financial conditions, and import and export activities;

9. The procedure for drawing up the balance sheet and the distribution of profits and losses;

10. The procedure for settling disputes between the association and its members;

11. Grounds and procedure for termination and liquidation.

(2) The constituent contract shall also act as the bylaws of the association.

(3) The seat of the association shall be in the Bulgarian People's Republic; the association shall be a Bulgarian juridical person.

(4) The association shall be registered with the Bulgarian Chamber of Commerce and Industry. The registration shall include the name and seat of the association, object of activities, and means of representation. The termination of the association shall be recorded as well.

(5) The association shall be considered as extant or, respectively, terminated, as of its time of registration.

Article 22. (1) The contributions of the members of the association may consist of cash, raw materials, materials, rights to industrial property, knowhow, and the use of land, premises, machines, and equipment.

(2) The machines, equipment, and installations contributed shall remain the property of the contributing member even if made permanent.

(3) The association may not own real estate within the territory of the Bulgarian People's Republic.

Article 23. (1) A member of the association may transfer his membership rights and obligations to a third party with the agreement of the other members.

(2) The preceding paragraph does not apply to continuity based on a state law on the reorganization of a Bulgarian member of the association.

Article 24. The association shall set up a reserve fund. It may set up other funds as well.

Article 25. The organs of the association may pass decisions by unanimous vote only.

Article 26. (1) Civil juridical relations between the association and Bulgarian physical or juridical persons shall be based on general Bulgarian civil law.

(2) The contracts concluded between the association and Bulgarian juridical persons may stipulate the meeting of financial obligations in foreign currency as well.

Article 27. Disputes between the association and Bulgarian physical or juridical persons shall be under the jurisdiction of the Bulgarian

courts. They must be submitted to agreed upon arbitration should a Bulgarian juridical person be a party to the dispute.

Article 28. Following the liquidation of the association, its non-converted property rights shall be shared by the members. Their shares shall be consistent with their contribution to the association's statutory capital. In a division the Bulgarian member has the right to buy out the share of the foreign member under conditions stipulated in the contract. Failure to exercise this right entitles the foreign member to the rights stipulated in Article 20, paragraph 2.

Article 29. Problems not regulated in this chapter shall be subject to the corresponding stipulations of chapter 2.

Chapter 4.

Labor Relations and Financial System

Article 30. Labor relations and the social insurance of Bulgarian citizens--workers and employees of the association as per chapter 3--shall be governed by Bulgarian law.

Article 31. Labor relations between foreign citizens and associates as per chapter 2 or the association as per chapter 3 shall be based on the association contract and the labor contract.

Article 32. Foreign citizens employed as workers or employees shall be mandatorily insured against temporary disability as per Bulgarian law.

Article 33. (1) The associates or, respectively, the association, shall make insurance deposits for the social insurance of workers and employees.

(2) The amount of the insurance payment for workers and employees for foreign citizens shall be the equivalent of 20 percent of their wages.

Article 34. Workers and employees who are foreign citizens may transfer abroad up to 50 percent of their wages and other earnings related to their activities, as per the present ukase.

Article 35. Labor disputes involving a worker or employee who is a foreign citizen shall be under the jurisdiction of Bulgarian courts unless the employer is a foreign associate.

Article 36. The earnings of foreign associates, as per chapter 2, shall be taxed as follows:

1. Thirty percent of the exported share;

2. Twenty percent of the share invested in economic activities as stipulated in the present ukase.

Article 37. (1) The profit of the association, established on the basis of the annual balance sheet, as per chapter 3 on the distribution, shall be taxed at the rate of 20 percent.

(2) The share of the profit earned by the foreign member of the association as per chapter 3 shall be taxed at the rate of 10 percent if exported.

Article 38. The minister of finance and minister of foreign trade may waive the tax as per Articles 36 and 37 or reduce the amount of the tax for the one year period but for no more than three years from the beginning of economic activities, based on the results of such activities.

Article 39. (1) Should the foreign association or member of the association import raw materials, materials, and equipment for the production of export goods, such imports shall be duty free. No duty shall also be paid in the case of machines, equipment, or apparatus temporaarily imported on the basis of the industrial cooperation contract.

(2) The stipulated customs fees shall be applied on imported raw and other materials for the production of goods for the domestic market.

(3) On an exceptional basis, in accordance with the nature of economic activities, the minister of finance and minister of foreign trade may lower or waive import duties as per the preceding paragraph.

Article 40. No mandatory insurance is required for items owned by the foreign associate, imported in the Bulgarian People's Republic for the implementation of economic activities as per the present ukase.

Article 41. The associates, or, respectively, the association, shall pay municipal fees and taxes for communal services in accordance with the law on local taxes and fees.

Article 42. (1) Taxable profit as per Articles 36 and 37 shall be declared within three months from the day of the approval of the annual balance sheet. The declaration shall be submitted to the financial department of the okrug people's council or, respectively, the Sofia Obshtina People's Council, on whose territory the association is located.

(2) The act defining the amount of the tax shall be issued by the chief of the financial department of the okrug people's council or, respectively, the Sofia Obshtina People's Council.

(3) The act may be appealed within two weeks of its publication to a special jurisdiction of the Ministry of Finance comprising the following members: chairman--a member of the Supreme Court of the Bulgarian People's Republic; members: a representative of the minister of finance and a representative of the minister of foreign trade. The commissioners' decision is final.

(4) The tax must be paid within 10 days of the enactment of the tax document.

Article 43. Interest as per the Law on Interest on Taxes, Fees, and Other Similar State Dues, shall be levied on delinquent taxes, fees, customs fees, and others.

Concluding Stipulations

1. The present ukase invalidates Ukase No 1196 on Economic, Production, and Technical Cooperation With Foreign Juridical and Physical Persons, published in DURZHAVEN VESTNIK, No 46, dated 14 June 1974.

2. The execution of the present ukase is assigned to the Council of Ministers.

Issued in Sofia on 25 March 1980 and sealed with the state seal.

Chairman of the State Council of the Bulgarian People's Republic:
T. Zhivkov.

Secretary of the State Council of the Bulgarian People's Republic:
M. Manolov.

5003
CSO: 2200

DEPUTY MINISTER INTERVIEWED ON NEW JOINT ECONOMIC VENTURES

Sofia SOFIA NEWS in English 9 Apr 80 p 2

[Interview with Atanas Ginev, deputy Foreign Trade minister, by Hristo Zhelyaskov, date and place not given]

[Text] On March 28 the Bulgarian State Council published a Decree (No. 535) on economic cooperation between Bulgarian juridical persons and juridical and physical persons from the non-socialist countries. SN correspondent Hristo Zhelaskov approached First Deputy Foreign Trade Minister Atanas Ginev for comments on the new normative act.

Mr. Ginev, in your capacity of a well known figure in foreign trade, would you please summarise the content of the new decree?

"The new decree on industrial cooperation and the setting up of joint economic associations for the purpose of production is, in a certain sense, the legal successor of the previous decree of June 14, 1974. The old form of industrial cooperation is retained, but subjected to certain changes and improved with regard to its pragmatism and purposefulness. We are now actually allowing joint economic associations to be set up on Bulgarian territory. This means that our foreign partners will in their joint activity be able to apply their most advanced technologies and experience for the purpose of attaining optimal results."

What is the novel distinguishing feature of the decree and what is its main purpose?

"Foreign partners can now take part in the management of the associations and be directly responsible for some of its activities. Thus, for example, a foreign director in a joint venture can supervise the activity on quality or marketing. Then, our country actually guarantees economic advantages to the foreign partners, such as the export of profits at very favourable tax rates. Besides this, provided they agree with their Bulgarian partners, the companies can re-invest part of the profit in Bulgaria, where it is taxed more favourably in comparison with the repatriated profit.

"An essentially novel feature of the decree is also that the activity of the association will proceed with property participation on a contractual basis. This means that our country guarantees all foreign partners the property they bring to Bulgaria. The guarantee is realised through the Bulgarian Foreign Trade Bank, by any international bank they care to choose. Besides this, we actually treat the foreign property as temporary import in Bulgaria.

"The contract can be dissolved by mutual agreement and, of course, after its expiry, and the foreign partner has the right to decide to export his property. He also has the right to sell it to his Bulgarian partner. In either case no duty is levied on the property.

"Another advantage to the foreign partner is that in the sale of goods produced by the joint association, to third countries, he receives his share of the profit in convertible currency."

Would you point out the most important achievements in cooperation so far, and what progress is to be expected in future?

"By means of general agreements we have realised industrial cooperation in engineering, electronics and some sub-sections of agriculture. Jointly with the companies we realise sales in their own or in third countries. Thus Bulgaria exports a relatively large share of engineering products of industrial cooperation to the west. To the FRG this share is around 10 percent, about 8 percent goes to France and to Italy it is also 8 percent. This shows that encouraging results were achieved already under the old decree. The new decree strives to expand and raise them to a much higher level."

Which sectors will have priority in trade and economic cooperation?

"Those in which the quickest and maximum economic effect can be achieved. Thus, at the present stage, priority will be given to projects linked with the development of Bulgarian raw materials, and their processing into ready products to be exported to markets in third countries. These are coal, manganese, tungsten, copper, Bulgarite (which contains aluminium), etc. There are also other sectors which will for a start be given certain priority, such as machinebuilding and engineering."

How will possible disputes be settled?

"Most likely through arbitration. Since everything will take place on a contractual basis, the partners themselves will determine the arbiter. Most frequently it will be a chamber of commerce, our own, the partner's or an international one."

Which partners will be preferred--big, medium or small ones?

"The size of the company is unimportant. The good partners will be preferred. I might add quite responsibly that our experience with small and medium-sized companies in the sphere of industrial cooperation under the previous decree has been very positive. We do not intend to reject this experience. The important thing is for the enterprise to have advanced technologies."

Will there be restrictions in the choice of markets and spheres of activity?

"No, the associations will sell where they get the best bargain. Even if they sell in Bulgaria, they will do so for freely convertible currency."

What statute will the associations have--one of a Bulgarian enterprises or of some other kind?

"They will work out their own statute. But since they are on Bulgarian territory, they will be treated as Bulgarian enterprises on all aspects related to civil and criminal responsibility. On the other hand, however, they will not be part of the system of our economic organisations, they will manage themselves."

What funds is our country ready to invest in joint ventures?

"Depending on what is necessary, we have the ability of investing money, providing Bulgarian technologies, giving loans in some cases, or providing electric and other power. Consequently we will take part as full-fledged partners."

Would not the large share of our foreign trade with the Comecon countries restrict the scope and range of the activity of these associations?

"Not in the least. They will act on a completely free trade basis, so that if the Comecon countries wish, they will buy goods from them for freely convertible currency. However, the associations do not undertake any preliminary obligations in this respect."

What is the limit of business participation by foreign partners?

"Even over 50 percent are permitted. When a Bulgarian economic organisation and its foreign partners are drawing up a contract for the setting up of a joint association it might be estimated more advantageous for the foreign partner to take part with 65 percent, for example. Expediency will be the factor to decide the share of participation. Naturally, the right to a final decision belongs to the Minister of Foreign Trade."

CSO: 2020

CONSUMER INDUSTRY RESULTS REVIEWED

Prague HOSPODARSKE NOVINY in Czech 11 Apr p 2

[Article by Central Committee staffer, Karel Bezvoda]

(Text) By fulfilling the economic tasks set by directives of the 15th Party Congress and the Sixth Five-Year Plan, workers in the consumer industry have demonstrated by their sustained effort that, despite more difficult internal and external conditions, we have the prerequisites to meet planned goals.

In the consumer industry, we had to introduce measures to stabilize and expand the labor force. In spite of this, especially in the CSR [Czech Socialist Republic] with its high rate of women employees--and where measures supporting population growth caused relatively high absenteeism due to maternity leaves, certain consumer industry enterprises were unable to maintain planned labor force levels. In 1979, the consumer industry fell 7,219 workers short of level anticipated by the Sixth Five-Year Plan, of which 6,957 [were] in the CSR. Especially difficult in this respect is the situation in the clothing and leather processing industries where in 1979 the labor force fell roughly 5,000 workers short of the directives of the Sixth Five-Year Plan.

At the same time, the more precise annual plans are being fulfilled and exceeded in consumer goods in retail prices, and export tasks in world prices, while the quality of products is rising. The results achieved in the fulfillment of the production plan, have a beneficial effect on the overall results in the consumption of raw and other materials, as well as on overall cost, which is reflected in the fulfillment of planned profit levels, and contributed to overcoming the consequences of losses caused by the energy situation in 1979.

Under these conditions, we are simultaneously implementing the structural reconstruction of the consumer industry, as prescribed by the directives of the Sixth Five-Year Plan. We are strengthening those branches which base their programs on domestic raw materials, such the lumber, glass, and ceramics industries. At the same time, there is improved balance of the productive potential of the Czech and Slovak [SSR] Socialist Republics, so that the SSR share in consumer industry may reach 27.9 percent in 1980.

What we find unsatisfactory in the consumer industry is the manner of fulfillment of the capital investment plan of the Sixth Five-Year Plan. We have failed to complete certain construction projects within the planned time limits, and construction starting dates are frequently moved beyond those envisaged by the 5-year plan. This is the case, for example, in the construction of the weaving and spinning mills and printing plant in Ruzomberok, the knitting combine in Kosice, modernization of the Vertex plant in Litomysl, Krajka in Libavske udoli, and others. Overall, this means that the volume of labor and production leaves the budgeted cost short by over 2 million korunas, so that 88 percent of the resources of this capital investment will be exhausted during the 5-year period. On the other hand, this shortfall is balanced by the fact that the construction budget is exceeded by 2 million korunas of budgeted cost. It is anticipated that the plan will be exceeded by 19 percent, of which 38.5 percent in the SSR. This area represents more than 50 percent of consumer industry capital investment in the Sixth Five-Year Plan and is used in most cases for the modernization of basic production assets. Convertible hard currency credits have a beneficial effect in this respect.

In the area of economic exploitation of consumer industry products, the Sixth Five-Year Plan emphasized the need to fulfill export tasks, while insuring the growing needs of the domestic market.

The reality of external and internal factors intensified the need for preferential handling of exports in the annual operational plans. Even though production tasks were exceeded during the past 4 years, the consumer industry has not succeeded in fully satisfying justified customer demands in quantity, quality and assortment of goods. There is a potential for improving quality, and the introduction of the comprehensive system of quality management has a beneficial effect on the lowering of losses and improving poor quality production.

The struggle for high-quality production is not undertaken in all branches with the same intensity. Overall losses from flawed products, lower prices due to poor quality, and consumer complaints and returns, still represent 940 million korunas and, even though this has been reduced in the consumer industry as a whole, there are still branches, such as the glass, ceramics, and footwear industries, where losses have exceeded those of 1978.

Planned deliveries by consumer industry enterprises for export were exceeded, while the quality of products has risen. The total value of export in world market prices, was exceeded during 1978-79 by 7.3 billion korunas, of which 5.3 billion was in export to socialist countries and 2 billion to non-socialist countries. The consumer industry thus actively contributes to the resolution of foreign trade problems in our economy.

Even though we have succeeded in raising the effectiveness of export beyond the expectations of the Sixth Five-Year Plan, its dynamic growth in many cases is still less than the rise in world prices of raw and other materials. Good results were achieved especially in the CSR consumer industry where the reproduction indicator is 93.3, and the annual plan was exceeded by

1.2 points. Among the best export items is utility glass and porcelain. Compared with 1978, better results were achieved by the economic production units Lumber and Flax Industries, glassworks Sklo Union, and Karlsbad Porcelain.

During the past 4 years, deliveries for consumer goods inventories amounted to more than 91 billion korunas, which is about 0.5 billion less than envisaged by the Sixth Five-Year Plan. Through increased efforts by all workers in this industrial branch, however, it has been possible--in accordance with the the conclusions of the 7th Central Committee session, to lower these losses. Evidence of this is the fulfillment of deliveries for domestic trade during last year, when annual tasks were exceeded by 147 million korunas in wholesale prices, and by 721 million korunas in retail prices, despite a shortfall in planned deliveries in the SSR consumer industry. The latter owes the consumer industry deliveries amounting to 54 million korunas in wholesale prices. Sharing in these negative results are economic production units Slovakotex and Ogako.

In conformance with higher consumer demand, there was an increase in 1978 in deliveries of certain short-supply types of consumer goods, which exceeded the terms of contracts with the trade sector. Thus, CSR consumer industry exceeded deliveries of knit cotton wear for children by 11 percent, sports clothes by 12 percent, polyamide pantyhose by 42 percent, childrens and boys summer shirts by 11 percent, room panels by 9 percent, and skis for runners by 38 percent. Of 115 basic short-supply types of consumer products, the industrial ministries failed to insure production of 8 types in the CSR, and 11 in the SSR.

More attention is being paid to selective assortment of goods, nevertheless, it is not always possible to satisfy demand for the latest fashions and luxury items.

Limited possibilities in material resources and ancillary means necessary for the mastering of new technological processes and fiscal adjustment, severely curtail the entire process of modernization. Under these conditions, certain successes were achieved by the textile and clothing industries.

Exceeding the tasks of the Sixth Five-Year Plan in consumer industry, was achieved through a broad development of labor initiatives and socialist competition. In this respect, we should also commend the good political and organizational work of Party, trade union, and youth organizations, as well as, the performance of economic managers.

9496
CSO: 2400

PROBLEMS OF WAGE DIFFERENCES EXAMINED

Budapest TARSADALMI SZEMLE in Hungarian No 3, Mar 80 pp 43-54

[Article by Mrs Falus, nee Katalin Szikra: "Some Questions of Wage Differences"]

[Text] Providing vigorous financial incentives by means of appropriate differentiation of wages--this has been a recurring requirement for a long time. In our economic situation which has become more difficult, this demand is appearing again with renewed force.

However, even the more differentiated, more stretched-out wage scale, the greater spread of incomes does not result in providing more effective incentives if the wage differences are just accidental in character, are not justified economically, do not conform to the tasks at hand and to the level at which they are performed, or to the shortage conditions of the manpower situation. Thus the direction of providing the incentives is of prime importance. If the direction of providing the incentives is given, then its strength will depend on the extent of differences in income which can be earned. Even if incentives are supplied in the right direction, this will be ineffective if the additional wage which can be earned is negligible in comparison with the additional effort or sacrifice.

Earnings differences--that is, percentage differences in earnings--show a decreasing trend both historically and worldwide. In this country the earnings differences (those of the official earnings which have been developed in the socialist sector) are decreasing at a particularly rapid, accelerating rate.

The so-called differentiation index expresses how many times the average earnings of those earning more than the average is higher than that of those earning less than the average. Even an extremely sensitive, small decrease in this index indicates that earnings are becoming more uniform. As we can see, it shows a decrease between 1970 and 1978 in all branches of the national economy. During the 8 years the extent of decrease was about the same as in the previous 15 years. The way the shares of the strata earning the most and the least are developing also indicates a definite trend of equalization

Differentiation of the Average Earnings of People Employed Full and Part Time

in the socialist sector, based on employment distribution according to size of their earnings

Branch of national economy	Differentiation index				
	1970	1972	1974	1976	1978*
Industry	1.87	1.89	1.88	1.83	1.81
Construction industry	1.87	1.82	1.81	1.76	1.74
Agriculture and forestry	1.77	1.74	1.76	1.72	1.63
Transportation and communication	1.71	1.75	1.76	1.75	1.70
Commerce	1.95	1.92	1.88	1.85	1.87

Source: STATISZTIKAI IDOSZAKI KOZLEMENYEK [Statistical Periodic Publications] Volume 421. Employment and earnings ratios in 1976. KSH [Central Statistical Office, OR: Central Statistical News] 1978 p 17.

*Preliminary data.

Year	Share (in percentages) of the	
	lowest 20	top 20
	percent of employed people, arranged according to the size of average earnings, from the total amount of earnings paid out	
1970	10.7	33.4
1972	10.8	32.8
1974	10.8	32.8
1976	10.8	32.5
1978*	11.2	32.2

Source: same
*Preliminary data.

Examining separately a few of the dimensions of the earnings ratios will say more than examining the way global ratios have developed. In the following parts we will examine the earnings differences according to performance and according to job assignment.

Wage Differences According To Performance

At the present time, in the state enterprises and institutions significantly more cannot be earned even with significantly better and more work than with poor or average quality and little work. The earnings of people working in

the same job assignment differ usually only slightly as a result of their work performances. According to studies by the Ministry of Labor, in recent years the spread of earnings of those working in the same job assignment amounted to only 30 to 35 percent of the average earnings, but a significant portion of this is related not to their actual work performances but rather, and mainly, to the differences in their respective lengths of service and to other factors only loosely related to work performance. It is necessary to provide more deliberate incentives than before in order to increase performances, to provide less timid wage differentiation conforming to performance; for individuals and collectives who give outstanding performance, earnings corresponding to such performance must be made possible. The need to increase productivity, improve efficiency requires this. In addition this can also help decrease the very bothersome wage tensions between the state sector and the private sector--which now exists to the disadvantage of the former.[1]

To a significant extent, wage differentiation as a function of performance depends on the wage formula applied. If the length of production run is right, quality requirements are not too stringent, and if quantitative as well as quality performances can be checked easily, increased productivity is best served by wages which increase in proportion with quantitative performance. This can be piece rate or such a performance rate where those characteristics of the worker (experience in the trade, versatility, adaptability, etc.) which are not sufficiently expressed in quantitative performance but which are also important to the enterprise are also expressed in the earnings, in the form of establishing the appropriate base wage, which then in turn is increased or decreased as a function of quantitative performance. The worldwide trend is to decrease the area of using piece rate wages as a consequence of the vigorous increase of the significance of the above-mentioned characteristics. (In England in the middle of the last century, four-fifths of the workers worked for piece rates. Today this ratio does not even reach 30 percent in the developed capitalist countries.)

In this country's industry--as a consequence of the technology applied, work techniques and work organization--the use of quantity-oriented wage systems is still justified in a relatively broad area. In this respect, the number of people paid by such formulas is low (56.6 percent in state-operated industry in 1978), and even many of these people work in regressive-type formats with only limited incentives. This is related also to our income regulation system for enterprises. That is, as a consequence of our progressive (compounded progressive) taxing system, that portion of the enterprise's income which can be spent on wage-type expenditures increases regressively, more slowly than total income. This makes it more difficult to apply labor wage formats which provide vigorous incentives. There hardly is any way to completely eliminate such interpretation of regressivity of the enterprise's interests. That is because this plays an important role in keeping outbound purchasing power within the planned limits, which has great significance in a planned economy in general, and in these days in particular. Eliminating it could aggravate our equilibrium problems. However, decreasing the circle and the extent of regressivity could be expeditious.

No one type of wage format in itself can result in effective incentives. For this it is also necessary to fulfill many other conditions, such as good organization or work and production, and based on these the establishment of appropriate performance requirements. Without well-founded performance requirements, without standards taken in the stricter or in the broader sense, there is no well-founded differentiation nor effective incentives resulting from this.

Where these conditions exist, that is, where the workers do not have to closely rely on each other during the work process, and where their performances can be clearly separated from each other, it is expeditious to apply individual wages (individual performance wages). If in spite of this there are group-based wages under such circumstances--and there are many examples for this in our industry--this makes the workers with outstanding (above average) abilities lose interest in exerting their full capabilities. However, there are more and more processes in modern industrial production where the performance of the individual worker depends directly on the performance of his colleagues, where the result of his work cannot be isolated from that of the others. (This is characteristic for example for the chemical industry, in the machine industry's highly automated production units, etc.) In such cases the establishment of individual performance wages should not be forced but rather differentiations should be made between the groups, the smaller collectives, according to the actual differneces in their performances. That is, in such a situation it is not the indivdual competition, giving space to the outstanding individual performances, that can improve on the overall performance, but first of all good cooperation, increased mutual help. And this is best served by group wages and by the close community of interest created by it. Group wages urge the group's members to not tolerate goofing off among themselves. If the enterprise differentiates among the work groups (brigades) according to their actual performances, generally the dividing of earnings within the brigade can be left up to the brigade.

Introduction of group wages is most effective if organizing the production and the work are also coupled with positive changes in the direction of internal accounting. The most fortunate case is if there is a way to pay the brigades on the basis of finished goods produced by them. There are few opportunities for this in industry, significantly fewer than in the construction industry or in agriculture. However, it is favorable at any rate if the work group's activity--within the limitations imposed upon it by the given technical, technological conditions--can to a certain degree be made independent within the production process, if the group receives a certain amount of independence in organizing its activity and if the results of its activity can be isolated. Both domestic and foreign experience shows that as a consequence of greater independence, the sense of responsibility and readiness to take the initiative of the group members increase, thus improving production results--quantitatively as well as qualitatively.

According to all probabilities, the creation of self-accounting brigades and shops is one of the key questions of rejuvenating our incentive system within the enterprises. Their creation has become necessary and must be implemented within the enterprises in the interest of increasing efficiency. Direct sharing of the smaller units in the results of their work has already proven effective in several areas of the national economy. It appears that we must

progress in the direction of expanding it. This is inseparable from further expanding the system of self-accounting within the enterprises. Unfortunately--due mainly to enterprise reorganizations and mergers--deterioration rather than improvement has occurred here and internal cost accounting of the enterprises has deteriorated. Among other things, one of the conditions for implementing independent accounting within the enterprise, increasing the economic operating independence of the individual economic operating units by means of clearly defining spheres of authority and responsibility, making their work measurable by developing the appropriate indexes, etc. But that ideological obstacle must also be overcome which manifests itself in there being efforts to create great differences in the area of personal incomes among the enterprise's various economic operating units, regardless of how much their results differ from each other.[2]

Understandably, wage differentiation on the merits--whether on the individual or on the group basis--runs into the greatest difficulties where the work performance, or its result cannot be measured exactly. In such cases the individual value judgment of direct supervisor at the place of work must receive more weight and respect than it does today. This is because he is the most familiar with the work of the individual workers and because due to his position and training he must have the circumspection on the basis of which he can perform the evaluation in a well-based manner. But the value judgment of the direct supervisor at the place of work must be given more weight than it has today, not only in judging performances which are indefinite to measure. The direct supervisor's sphere of authority should be increased in all areas of paying wages. This is too centralized today at the enterprise level. Generally, the middle- and lower-level supervisors (foremen, group leaders, department managers) have no decision opportunity in setting the wages of their subordinates, and indeed, it is a frequent complaint that the higher levels do not even take their opinions into consideration. This again leads to the question of internal modernization of the enterprise's internal management system, and indicates the necessity of distributing the actual decisionmaking authorities to a greater extent.

Social Pressure In the Direction of Equalization

Differentiating wages according to performances is commonly known to be an unpopular task. This is closely related with the social pressure exerted in the direction of equalization. The fact that socialism's principle of social and human equality has gained much popularity, as well as the rapid approach to each other of the demand levels of the various social strata--which has occurred as a consequence of increased schooling and of the significant social shifts which have taken place--play a role in this coming about. However, the significant extent to which it slows down our progress is one of our biggest economic, political and social weaknesses.

The public spirit at the work place very often pulls in the direction of equalization, endeavoring to slow down creation of incomes significantly higher as well as significantly lower than the average, tending to dull recognition of outstanding individual and group results. (By the way, this

is valid not only for financial recognition, but also, for example, for the awarding of honors. The effort that sooner or later everyone should have their turn, prevails here also.) The objective foundation of this is that at every place of work--and this cannot even be any other way--the overwhelming majority of people have average abilities and average performance considering the standards of that particular place. They constitute the majority and consequently they exert significant influence on local public opinion. Often the local social organs also become representatives of their equalization efforts. And this can divert even a manager who is otherwise willing to work for more vigorous differentiation, from this intention of his. All kinds of equalization projects are particularly damaging at such work areas where a high level of initiative-taking and creative work should go on. If strong influence does not prevail in the opposite direction here against the equalization efforts, then limitation of the outstanding creative individuals will occur, mediocrity will rule.

Providing initiatives which are economically expeditious is--unfortunately--not always also necessarily fair. Thus, for example, distributing wages saved as a result of cutting back on employment, or a significant portion of such wages, among the workers who achieved the savings can be a very effective incentive for cutting back on employment, but it is obvious that the conditions for this are much more favorable where utilization of manpower was at a low level in the past. Consequently, such incentives place those in a disadvantageous situation who have been working well even before. (Here actually we are facing the problem of so-called basic interests.) This, of course, bothers the sense of fairness of the workers, which cannot be left out of consideration. The solution can only be some type of compromise, the development of such an incentive construction where the earnings disproportion created is only temporary, transitional. At the same time, the way must be blocked to the temporary earnings disproportion which serve to bring the reserves to the surface by continuing to spiral, leading to earnings increases anywhere without financial coverage.

It is an opinion accepted in broad circles, that faster rise of the average wage level (real wage level) favors the diffrenetiation of wages according to performance, while its slower rise, or even decrease, limits it. However, according to other opinions there is no such relationship. The contradiction between the two statements is only apparent. In reality, both are true. The faster rise of wage levels does create a more favorable situation, and its slower rise a less favorable one, for wage differentiation. But the more favorable situation created by the faster rise of wage levels is only a possibility which often does not become reality. Its becoming reality can be prevented by circumstances acting against it, for example, escalation in the tensions of the manpower situation, the slowing-down effects of the regulatory system, etc. On the other hand, wage differentiation can increase even under the less favorable circumstances of a slower wage-level rise, if other objective and subjective factors exert effects vigorously in this direction.

The way the consumer price level develops also has an effect on the wage differentiation opportunities. The rise of consumer prices, faster increase of nominal wages than real wages can also--temporarily--expand the opportunities of wage differentiation conforming to performance, and through this also that of providing incentives. That is, not the real but the nominal wage increase directly determines the limits of wage differentiation. If the nominal wage of some of the workers increases more slowly than the rise of the price levels, that is, if their real wages decrease, this makes it possible to increase the real wages of other workers, working strata, even while the average real wage level remains stagnant. However, it is obvious that this path can be traveled to only a very limited extent, as over the longer range the real wages of none of the working strata or larger groups can be allowed to decrease.

It must also be seen that the increase of price levels also strengthens the equalization tendencies. Since compensation for price increases, allowances for it cannot be "tailored" precisely for individuals or for families, and since for political and social reasons it is particularly important to provide maximum protection for the strata with the lowest incomes from losses as caused by price increases, the usual result is greater compensation for price increases to those with lower incomes, and lesser compensation to those with higher incomes. This is supported by international as well as by domestic experience.

Compensation for price increases cannot be considered a reward, under normal circumstances everyone is entitled to it. (We speak here not of the notorious work-avoiders, nor of negligent people. The way they are handled does not belong within the framework of general wage policy.) However, in our present situation, when the world market has significantly devaluated our national work, each and every worker also cannot receive the earlier compensation for his work, the price increases are general, there is no way for full compensation. Obviously, wage increases which fully compensate for the price increases or which are even larger than that, must be given to workers with higher than average performances, and we are being forced to also take advantage of that power of incentives which may be triggered by the defenses against the decrease of real wages (standard of living) already achieved earlier. But we consider this to be only a temporary emergency situation which we must pass as soon as possible.

Trained Work--Heavy Physical Labor

The decrease of wage differences according to training (level of training) and in parallel with this the increase of wage differences according to how physically difficult the work is, are historical trends in progress all over the world. Taking a longer period of time as a basis, this can be observed in every country. This is related, on the one hand, to the general increase in the level of schooling and with the fact that larger and larger portions of the costs of education are borne by society and, on the other hand, with the fact that that mechanization of heavy physical jobs and improvement of unfavorable working conditions are progressing more slowly than the rate

at which demands of workers increase toward the job and toward working conditions. This trend manifests itself in this country also, but in a unique way. Both international comparison and everyday experience show that in our country, while wage differences according to the physical difficulty of work and to working conditons have increased very rapidly, the wage differences according to training have shrunk excessively. That general acceleration of the wage equalization tendencies to which we referred in the introduction, can to a large extent be traced back to this latter process.

Rapid decrease of wage differences according to training can be traced clearly also within the circle of physical workers. This can be established also by using as a basis the usual categories (tradesman, trained worker, helper), but even more so if we study the question using even finer shades, a more precise breakdown. Unfortunately in this way the necessary data are available only for a quite brief time period, but these prove completely unambiguously that earnings differences according to training have decreased at practically all levels.

Increases in the hourly wage of workers between 1973 and 1976, according to categories of complicatedness of the work performed

(1973=100)

Category of complicatedness	National Economy	Industry	Shipping, Transportation	Commerce
Helper	121	120	134	117
Trained worker	121	123	119	106
Trained worker doing complicated trained work	122	122	127	106
Tradesman doing simple trade work	122	119	134	105
Tradesman [journeyman]	115	114	121	111
Tradesman doing composite trader work	118	120	121	113
Tradesman doing complicated trade work	115	116	114	115
Total	114	123	127	121

Source: Survey of 600,000 persons, performed by MUM's [Ministry of Labor] Computer Technology Institute, authorized by MUM's Labor Research Institute

In the national economy as a whole, as well as in the three major branches studied, moving upward on the scale of complication of the work performed, the increase of hourly wages thus has a decreasing trend. With the exception of commerce, the hourly wages of those doing complicated trades work have increased more slowly than not only those of the helpers and trained workers but also more slowly than the wages of those doing simpler trades work. It is worth noting that in industry--in contrast with the general belief--

increase was fastest in the wages not of the helpers but of the trained workers. This is not only a characteristic of the brief time period studied; studies spanning longer time periods also reflect this tendency. This can be traced back to the fact that of all the helpers, the wages of only those who do heavy physical work increased at an outstandingly rapid rate.

But not only comprehensive data indicate an excessive decrease in wage differences according to training among the physical workers. Practically speaking, there is no enterprise or factory without complaints that the highly qualified tradesmen with much experience earn less than trained workers doing simple volume work, or even than the helpers. The consequence is: in many cases the trade skills acquired at great expense are abandoned, and mainly, there is much dissatisfaction and unenthusiastic performance of the job.

In one of our enterprises which manufactures vehicles, a social study was recently performed by means of questionnaires to determine to what extent the various categories of workers are satisfied with their earnings. The highly trained maintenance people, group leaders and setup men occupying key positions in production work professed in much higher ratios to be dissatisfied with their earnings than the trained machine operators working in their immediate surroundings.

One of the reasons for the earnings ratios to develop in this way, to which reference is frequently made in literature, is that the workers with lower qualifications work in higher ratios for piece rates or other performance wage formats, which provide more opportunities for increasing one's earnings; on the other hand, among tradesmen doing complicated work, wages for time spent on the job are characteristic. (The increase of earnings of those working for time wages generally lags behind that of those who work for performance wages. This is because the wages of the latter also increase automatically, without any special measures as their performances increase.) However, obviously this is not the basic, the ultimate reason. Closer to this is the explanation that the enterprises had to spend most of their wage improvement opportunities to obtain and to keep workers with no trades training, the supply of whom is more limited, and they had no means left to appropriately recognize financially the trades knowledge.

The main reason for the extraordinary shrinking of wage differences according to training and of the rapid increase of wage differences according to the physical difficulty of work is the high lack of correspondence between manpower supply and demand in this area, the high degree of shortage, which has stabilized, of people to do work not requiring particular training but which is physically difficult. (Of course some trade jobs--for example the coal miner, smelterman, foundryman, baker jobs--are also very taxing physically--and the manpower shortage is similarly great in these fields also, but we cannot treat the problems of these here.) The number of people willing to do heavy physical work or work under unfavorable working conditions is decreasing much more rapidly than the number of such places of work, therefore stronger and stronger financial incentives are needed to fill them.

But the great shortage of people who accept heavy physical work is basically the consequence of the generally great manpower shortage (excessive manpower demand). If one can choose among several kinds of work opportunities, people--understandably--will not crowd in line for the heavy, taxing work, they will take on such work only for special financial advantages. When the general manpower shortage is great, it is necessarily most severe in the area of heavy physical jobs.

Since the problem's roots are primarily not of a wage-policy nature, the solution should not be sought here either. The large shortage of people who will do heavy physical work can be eliminated primarily not by wage policy means--this is only a treatment of symptoms with temporary effectiveness and involves harmful side effects--but by changing the conditions of the manpower situation: by mechanizing the heavy, especially taxing physical jobs whenever possible; by the appropriate further development of the school system (training structure); and by eliminating the extensive and general overdemand for manpower.

Decreasing the sphere of heavy physical jobs by mechanizing them requires no particular explanation, but the need to further develop our school system (system of training workers) does. Our worker training system still stands exclusively on the basis of traditional trade training, and trains only for one, relatively narrow, trade. We would best like to train every young worker into tradesmen; we consider the future of a young worker to be hopeful only if he has a trade, a tradesman certificate. However, the technologies used in this country today require approximately 60 percent trained workers and helpers, and only 40 percent of the traditional type tradesmen; and this situation--in all probability--will not radically change in the coming decades either. At the same time, a larger and larger proportion of the trained workers have to do so-called complicated trained work, and have general basic technical knowledge and abilities. For most workers, the modern circumstances require not that they have a lifelong commitment to one trade (it appears that today we restrict too many occupations to special training, and too many people to special occupations), but rather to have general and technical-economic culture and intelligence which makes much greater mobility possible than they have today. Our training system must conform to this requirement.

Unless there is a match between the demand and supply of manpower in global respects, there can be no structural match either, thus the supply and demand of heavy physical labor also cannot be balanced. However, the general shortage of manpower cannot be overcome merely by manpower management regulations. The ultimate reasons for the shortage must be cured, and this calls for the further development of our economic management and institutional systems in their entirety, for elimination of the remains of general economic management by shortages.

Wages of Technical Experts

The conditions and framework of work done within the enterprise are created by technical and economic experts by their development, organizing and man-

agement activities. Operation of the enterprise's productive organization and translation of its performance--including the labor of physical workers--into value depend to a large extent on them. Innovations, the development of products and technologies are in their hands. Historical experience in the socialist countries, among them the Soviet Union, prove that there is a close relationship between appreciation--including financial appreciation--of experts, and results achieved. In general, outstanding results are born when and where experts are financially appreciated.

Wage differences according to training have shrunk not only in the circles of physical workers. Equalization is even more vigorous between the experts with higher training--primarily the ones in technical disciplines--and the workers with lower levels of training.

Earnings of technical employees employed in industry, expressed as percentage of the earnings of workers

Year	Percentage	Year	Percentage
1955	172	1975	147
1958	158	1976	144
1960	157	1977	141
1964	154	1978	139
1970	151		

Source: Development of the population's incomes, 1950 to 1980. KSH [Central Statistical Office]; p 48. -- Employment and earnings ratios. KSH. Corresponding years.

These numbers include also the data on technical experts with higher earnings and in management positions. Without them the percentages would be significantly lower. Even in 1975, the earnings of staff experts with college-level training (that is, ones not in management positions) were only 8.6 percent higher than those of industrial tradesmen in category 61, that is, the ones doing particularly complicated trades work under so-called normal working conditions.[3] Since then this difference has further decreased. Today the earnings of staff engineers barely exceed those of tradesmen, not infrequently remain below those. This situation--as a consequence of the demand by large numbers of people to attain advanced education, and of the strong affinity to intellectual occupations--does not lead to a numercial shortage of engineers, but leads even more so to quality problems, to counterselection. Apart from a few exceptions, not the best suited people enter the engineering profession, and even these not fully suited people generally do their work without enthusiasm and with dissatisfaction, and are forced to supplement their earnings with various auxiliary incomes, to use a not small portion of their energy which is so indispensible to the enterprise, in the "household plot." These circumstances also restrict the requirements which can be placed on them to within relatively narrow limits.

Changing the situation--just as in the case of physical workers--calls for not only wage-policy measures. The most important one is acknowledgement of the fact that the need is not so much for more, but rather for more gifted and more knowledgeable professionals with broader spectra of vision--within this, for technical professionals--that in the training of professionals the qualitative goals must be given more emphasis, in contrast to quantitative goals. Further, the ideology must be abandoned which, simplifying the actually very important task of creating and maintaining a balance between the financial situations of the various social strata, desires to achieve this by keeping the wages of physical and nonphysical employee groups within the enterprise at the same or nearly same level.

Some of our enterprises systematically follow with attention the sizes of wages of intellectual and physical workers with respect to each other, and consider it a positive thing if the difference between them decreases or disappears. Naturally the effort that more money should not be able to be earned with simple administrative work than with physical work which perhaps requires no lesser training, is a correct one. However, limiting the earning opportunities of highly trained professionals as a result of such viewpoints is harmful to the national economy and thus it also is not advantageous politically.

Management Earnings

The way the earnings of highly qualified professionals not in management assignments in enterprises develops is not independent of the way the earnings of enterprise managers develops. The earnings of enterprise managers places limits on the earnings of nonmanagement professionals.

The earnings of enterprise managers--especially of top-level managers--have increased significantly more slowly than those of other workers. In recent years, the top-level authorities did not increase, or just barely increased, their base pay, and personal upper limits have been placed on bonuses and rewards. Between 1968 and 1974, the average wages of workers and other employees increased 30 percent, and by 30 percent between 1973 and 1977; at the same time the average pay of top-level enterprise managers increased 21 percent in the first time period mentioned above, and by 15 percent in the second. Since 1977, their earnings growth has slowed down even more when compared to that of the other workers.

Since in recent years the consumer price level's rise has accelerated, and this--as a consequence of the characteristics of their consumption structures--decreased the real wages of people with higher incomes in the intellectual occupations by more than the average, the ratio of decrease of wage differences is larger when calculated in real wages.[4]

This holding down of the pay increases of top-level enterprise managers has then in turn spiraled downward, slowed down the increase of earnings of middle- and low-level managers and of the highly trained professionals not in management assignments. At the same time the difference between earnings of managers employed at various management levels had also shrunk.

Average pay of various groups of enterprise managers and the average wages of people with physical jobs in state-operated industry (Ft per month)

	1975	1976	1977	1978
General manager, manager, and their deputies	8,308	8,550	8,921	9,314
Main department heads, and their deputies	6,862	6,999	7,483	7,949
Department heads and their deputies	5,511	5,717	6,068	6,421
People in physical jobs	2,790	2,959	3,531*	3,741*
Earnings of general managers, managers and their deputies as percentage of the wages of people with physical jobs	298	298	253	249

Source: Employment and earnings ratios. KSH, 1976 and 1978.
*September monthly wages.

It is customary to employ political viewpoints when explaining why the growth of managerial pay is being held down. First of all, that at the time the increase in the standards of living is slowing down, primarily the low earnings must be increased, increasing the relatively higher managerial earnings under such circumstances is offensive. However, the question is more complicated than this. Undoubtedly the satisfaction of individuals depends to a significant extent on their relative situations and also on the size of their incomes in comparison to others--including to those of their supervisors. But even more so it depends on how their own absolute financial situation develops with time. And in this respect, the lack of adequate financial recognition of professional and management activity can slow down the improvement of effectiveness which forms the condition for the general improvement of the standard of living and can slow down economic growth. For stagnation or perhaps decline in their standard of living, the workers can hardly be compensated for by the knowledge that those of their superiors are decreasing even more. And anyway, the sense of fairness of the large masses of workers is today offended by not so much the--as we can also see from the numbers of the above tabulation--not outstandingly high incomes of the enterprise managers which they have generally deserved by hard work, but by those much higher "invisible" incomes behind which often even the adequate work is missing.[5]

It is true that even though the relative, percentage difference is decreasing between the earnings of managers and their subordinates, the absolute distance expressed in forints and also--with the rise in the standards of living--the difference seen in the size of purchasing power have increasing tendencies. Of course, the incomes of even the most successfully working managers must

not reach some kind of "astronomical" heights. This would also be incompatible with the socialist setup of our society and with the level of our economic development. Even their earnings must not exceed the magnitude which under the given circumstances can be spent on personal consumption and on the family's investments which directly serve this. However, we are still far away from this limit, and with progress the spaciousness and content of the limits are also changing. And it must be made understood in broad circles that when we "award" higher earnings to someone on the basis of wage differentiation according to performance, we must also make consumption corresponding to this possible for him, the natural consequences of higher earnings must be recognized in the consumption structure, in lifestyle. The earnings differences cannot be accepted on the one hand, while, on the other hand, the differences in lifestyle corresponding to these and not injuring our concept of socialist living, are rejected. However, in practice we not infrequently meet this phenomenon.

The root of ideologies aimed at holding down the increase of managerial earnings is the opinion that financial considerations do not play an important role in the motivation and interest systems of managers as individuals with high levels of social obligations. This is a great oversimplification of the issue. There is no doubt that particularly with those people who fill higher level management jobs, the other than financial incentives, ambition in the good sense, desire to create, etc., play very large roles, and also that most enterprise managers and chief engineers even today work "with all they have," and could not give significantly more even for twice as much pay. However, their present earnings level does not favor the optimum selection, may cause counterselection which is a problem which can at this time be the least neglected. We must select our economic managers not from among people with ascetic tendencies or from among those who show themselves to be such, but from among individuals with excellent abilities and enterprising spirit who are best suited for such tasks. The low earnings of managers with respect to their positions and tasks is also disadvantageous because it seems to create some kind of moral foundation for taking advantage of other advantages which can be gained through the higher positions. And the spreading of this causes immeasurable political and social harm.

If the earnings of enterprise managers have grown more slowly than the average, their numbers--exactly the reverse of this--grew more rapidly than the number of workers. In the material branches, the number of workers increased by not quite 1 percent between 1973 and 1977, while the number of managers grew by 5 percent. Excessive growth in the number of managers is accompanied by an increase in the numbers of management job areas (levels), and as a consequence of this, by overcomplication of the entire enterprise's organization which decreases the efficiency of management. It appears that fewer managers, but better paid ones (and who also have greater authority) would work more successfully.[6]

Summarizing what we have to say: our progress requires that the differentiation of wages be increased. Wage differences according to performance must

be increased in such a way that people are allowed to earn more with more and better work, that meanwhile the financial appreciation of more training, knowledge and higher responsibility should also increase. This can hardly be delayed until the era for firming up the achieved level of the standard of living comes to an end and when we can again take aim at increasing it, because this is a condition of the latter. By this, the inequality of incomes, the distance between the extreme values in our society would not increase. On the one hand, the extremely high incomes do not come about in the socialist sector and not in the sphere of official earnings. On the other hand, the primary factor for the spread of per capita family income is not the size of the earnings of the working family members but the ratio of wage earners to supported members within the family. And this lack of proportion can be eased not by wage-policy but by social-policy methods.

In recent decades--just as also in numerous other areas of socioeconomic life--we have become poorer by many illusions but richer by many experiences also in the area of providing incentives, of wage differentiation. We must make use of these experiences!

FOOTNOTES

1. It is public knowledge that industrial workers can earn several times what they earn at their main place of employment, outside the enterprise--by doing outside work, moonlighting. Easing this anomaly naturally belongs within the sphere of national economic policy, but increasing the earnings opportunities within the state-operated enterprises also exerts an effect in this direction.

2. For treatment of the questions of independent self-accounting within the enterprise, see Laszlo Nyikos: "Az iparvallalati belso mechanizmus ket idoszeru problemajarol." (On Two Timely Problems of the Industrial Enterprise's Internal Mechanism.) KOZGAZDASAGI SZEMLE No 5, 1978.

3. See Gabor Toth: "Az ertelmiseg kereseti viszonyairol. (Kiserlet egy analogiakon alapulo munkagazdasagi elemzesre.)" (On the Earning Situations of Intellectuals. (Attempt at an Analysis of the Economic Management of Labor Based on Analogies.) MUNKAUGYI SZEMLE, 1979. Appendices I and II.

4. For example, between 1976 and 1978, when the nominal wages of physical and intellectual workers increased by 13.6 and 11.9 percent, respectively, thus the deviation was not large here, there was a significant difference in the growth of their real wages. According to some calculations the growth of real wages amounted to 4.6 percent in the case of physical workers and 2.6 percent among the intellectual workers. (see Gabor Toth, ibid.) Intellectual workers with relatively high incomes--enterprise managers among them--were even more affected by the price increases than were the people with intellectual jobs overall.

5. The idea of "he is just sitting around in a warm office," which was popular in the past also in connection with the activities of people who do intensive, responsible intellectual work, is today the opinion of only a backward minority; this is not what we must conform to.

6. To a significant extent, the rapid increase in the number of management people is related to the fact that at the present time there are hardly any opportunities to achieve increases worth mentioning within the same job assignment. Thus we return to the problem area of wage differentiation according to performance.

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HUNGARIAN-DUTCH GOODS TURNOVER DESCRIBED

Budapest FIGYELO in Hungarian No 14, 2 Apr 80, p 7

[Article by Sebestyen Munkacsi: "Hungarian-Dutch Goods Exchange"]

[Text] In March, 1972, the successful organization in Amsterdam of Hungarian Economic and Industrial Days contributed significantly to the development of mutual possibilities between the two countries, beyond the existing total volume of trade, which was then still some 70 million dollars [annually]. The city has again extended an invitation. In that spirit, but this time addressing all of the Netherlands, Amsterdam will in mid-April, 1980, be the site of an independent exhibition of Hungarian economy and production, cultural and sport events, as well as economic and industrial symposia.

The aim of this series of events is to study further the possibilities of cooperation on the basis of the structural changes that have taken place in the two countries in recent times, with a view toward a wider expansion of continuing forms of cooperation and the joint introduction of third markets, for which reassuring results have already been observed in the recent past.

Another Increase

In the case of Hungary and the Netherlands there are many similarities, for example a scarcity of natural sources of energy, an open economy, a large population density in a small area, and a large proportion of foreign trade in the national income. Nevertheless, the portion of trade between the two countries in total foreign commerce is between 1 and 1.5 percent, and in certain products we represent an important market for one another. About 7 percent of Hungarian industrial products exported for convertible currency goes to the Dutch market. At the same time, a significant portion of the output of several Dutch companies is sent to Hungary.

The world-wide economic crisis of 1974 affected also Dutch-Hungarian foreign trade negatively; it reached a low point in 1975. The 1974 level of trade was not attained again until 1977 and not exceeded until 1978.

Our exports to the Netherlands were then 170 million guilders, and our imports some 250 million guilders (one dollar = 2.05 Dutch guilders). The increased volume of Dutch trade is due to more effective marketing on the part of Hungarian enterprises as well as to the development of cooperative relationships. The bilateral product-structure has also improved, corresponding more closely to the changing economic requirements and internal economic structures of the two countries.

A significant portion of our export (44-46 percent) consists of manufactured consumer goods: textiles, clothes, leather goods, furniture, camping products, etc. A noteworthy development is to be seen in the export of agricultural and food products, which in 1978 constituted 28 percent of the value of our exports to the Netherlands. Among the goods which are included in this branch of our exports are: lard, meat preserved in various forms (canned stew, salami, sausage), various kinds of sowing seeds, peppers, honey, dried onions and other vegetables, meat of game animals, certain types of wine, Hungarian reed, etc. The volume of export of machine goods to the Netherlands is at present not large, but it is noteworthy that axle housings from Raba, containers, electrical materials, restaurant equipment, and bicycles have already found their way to market.

A large portion of our imports (some 64 percent) consists of chemical and pharmaceutical industry raw materials important to Hungarian industry, as well as semi-finished products. Import from the Netherlands of machines and equipment is increasing from year to year. A significant part of this is the import of machinery for agriculture and food-processing. An important part in the solution of the problem of local potato production was played by the import [from the Netherlands] of machinery for growing and harvesting of potatoes as well as the import of improved potato sowing seed.

The export-import ratio has improved

In spite of the fact that the rate of growth of our exports has averaged 20 percent in the last two years, because of the larger volume of imports the balance of trade has been burdened with a significant deficit. In 1978 the portion of imports from the Netherlands which was offset by exports was 63 percent. In 1979, exports reached 115 million dollars, and thus the portion of imports offset by exports improved to 88 percent.

The question of how to eliminate the disproportion in the export-import ratio was also discussed at the time of the joint commission consultations in the Hague last October. Our Dutch partners recognized that it is in our mutual interest to assist the marketing activities of Hungarian companies in the Netherlands, as only a significant rise in Hungarian exports can make possible a continuation of our present import level or an increase to correspond to demand. This was the thought that motivated K. H. Beyen, the under-secretary in the Dutch government responsible for foreign trade, when he undertook the sponsorship of the Hungarian Week in Amsterdam, and many of his associates, who contributed to its successful preparation.

In 1975, an agreement was reached between the governments of the two countries for economic, industrial, and technological cooperation. A joint commission was also established, which meets yearly to study the development of trade and cooperative activities between companies. At the October meeting of the joint commission, some 50 cooperative activities were evaluated, which presently are mostly in the areas of plant cultivation and sowing seed production, food production and manufacture of food-processing machinery, and the clothing industry. A sharp increase in cooperation is noticeable in the drug and chemical industry and also in the machine and electrical industries also. Special mention should be made of the cooperative agreement between the [Hungarian] Ganz Villamossagi Muvek [Ganz Electrical Works] and the Hollandse Constructie Group [Dutch construction group] (formerly Nederlandsche Elektrolasch Maatschappij [Netherlands electric company]) for the joint construction of a power plant in Turkey. Another similar agreement is the one between the [Dutch] Vekamaf-EGU [expansion unknown] and the [Hungarian] Chemolimpex for the development, manufacture and export to third markets of equipment for desalinization of sea-water.

In the area of agriculture there is a remarkable 10-year cooperative agreement between the [Hungarian] Agrimpex -- Enterprise for Producing and Marketing Sowing Seeds -- and the world-famous [Dutch] Ruyal Sluis firm for the development, cultivation, and marketing of improved strains of sowing seeds. In the area of light industry, cooperation in textile job-work is noteworthy.

Also in third markets

In recent years, interest toward Hungary on the part of leaders in Dutch economic life, chambers of commerce, officials of large cities, and even some conglomerates has grown. Delegations from Amsterdam in 1977 and Rotterdam in 1978 visited Hungary. These delegations were lead by the mayors of these cities and included presidents of industrial organizations, chambers of commerce, harbor officials, and high-ranking representatives of business circles.

In 1979 K. H. Beyen, under-secretary in the Dutch Ministry for Economics, visited our country at the invitation of Dr. Bela Szalai, our under-secretary for foreign commerce. Among the topics covered in their discussions was the participation of Dutch firms on a cooperative basis in the development of the Hungarian food-processing industry, on the basis of the sixth five-year plan, and cooperation in the motor vehicle industry (Ikarus - Daf - Raba).

Last September a delegation from the Hungarian Chamber of Commerce, led by its president, visited the Netherlands at the invitation of their counterparts there. The delegation included leaders of several Hungarian enterprises. Some long-hoped-for direct contacts were established and concrete negotiations were conducted:

-- between the [Hungarian] Csepel Vas- es Femmuvek [iron and metalworks], the [Dutch] Hoogovens metallurgical combine, and the [Dutch] VMF Stork [expansion unknown] conglomerate on the possibilities for exchange of assortments and cooperative manufacture of computer-controlled machinery;

-- between the [Hungarian] Ganz Villamossagi Muvek [electrical works], and the [Dutch] Hollandse Constructie Group, Holec, and SHV [expansion unknown] machine factories for the export of turbines and cooperation on third markets;

-- between the [Hungarian] Komplex and the [Dutch] Big Dutchman, Stork, and Boxmeer for the joint manufacture of machinery for raising livestock, exchange of know-how, and joint selling of poultry-slaughtering equipment to third markets;

-- between [Hungarian] Chinoin and Akzo and Dutch universities for the exchange of intermediate products for drug-manufacture and also for cooperation in research.

In recent years cooperation between the Chambers of Commerce has increased sharply. Much has been done so that businessmen of the two countries can become acquainted with the economics, business requirements, financial, tax, and other systems of each others' countries. In this regard, we should emphasize the programs "How to Market in Holland," which was put on in Budapest, and "How to do Business in Hungary," which took place in the Hague.

Along with the favorable climate and developments, our enterprises occasionally meet with market obstacles, import contingency restrictions, difficulties in obtaining workers for the operation of joint commercial organizations, and visa problems as well. For example, at the end of 1977 the Benelux countries placed one of our most important export items, textile work, under autonomous regulation. This licensing system is puzzling to us: it limits our exports to the levels of 1976 and hinders our ability to compete and take advantage of actual market requirements.

In addition to the traffic in goods, we should mention the cooperation between industries serving both Hungary and the Netherlands. The cooperation between MALEV [Hungarian airline] and KLM [Dutch airline] in passenger and air-freight transportation can already be regarded as traditional. Similarly of long standing and close are the connections between MAHART [Hungarian shipping enterprise] and the authorities of the port of Amsterdam. Amsterdam provides a "home port" and maintainance facilities for Hungarian ships. Ideas are being outlined for taking advantage of the Danube-Main-Rhein waterway, which will be opened in the mid 1980's. Most recently, the hungarocamion [Hungarian international automotive transportation enterprise] and the Dutch GTV [expansion unknown] have signed a 10-year agreement for handling traffic between Budapest and the harbor city of Rotterdam.

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MINISTRY CONFERRING ON FUTURE OF MACHINE INDUSTRY

Budapest MAGYAR NEMZET in Hungarian 18 Mar 80 p 7

[Article by J. Gabor Molnar]

[Excerpt] The Ministry of Metallurgy and Machine Manufacture has already completed the preparation of the ten-year strategic long-range development concept. The concept was already discussed by the State Planning Committee last year. The tasks which most effectively meet the econo-political needs imposed on the machine industry during the Sixth Five-Year Plan period will be selected from this long-range concept.

It follows from the changes that took place in the production structure that there are manufacturing sectors and product groups within them for which the production will grow at a lower rate than the overall production growth rate of the machine industry, and also where production will cease altogether. Discussions between the ministry and those responsible within the enterprises concerned are underway about matters related to the changes to take place in manufacturing sectors and product structure.

Work is in progress within the ministry about increasing the production of machine parts and subassemblies. The group of specialized plants which are capable of producing the required parts and subassemblies at a modern technological level must be established.

Development of the electronic industry is necessitated by the increasing needs for computer-technology equipment and applications. Expansion of socialist cooperation has a great potentiality in this connection.

At the present time, production of road vehicles is the largest sector of the machine industry. The task here is to keep up with the needs of the world markets, and to maintain and increase our share on both the socialist

and the capitalist market. In the bus-manufacturing sector the major goal is to expand the product line; Ikarus has already taken the initiative in this matter.

Other important tasks are the expansion of the production of durable consumer products and the reduction of the number of items in short supply. On the agenda we find also development of the production of energy-efficient stoves and other articles. More attention should be devoted to economic operation and more efficient utilization of materials and energy. The resources of our economy are limited and it is therefore important to devote the investments to those projects where amortization will be fastest. Our enterprises must start now to get ready for the preparation of the Sixth Five-Year Plan.

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BEEF CATTLE SEEN AS MAJOR AGRICULTURAL RESERVE

Budapest FIGYELO in Hungarian 2 Apr 80 p 23

[Article by Marton Lovas: "Agriculture: There Are Still Reserves"]

[Text] The government report on the 1979 economic plan states that "agricultural production is less than planned and the slower rise of the national income is primarily due to the decrease of the national income in agriculture." Based on this, it appears agricultural performance in 1979 was poor.

Preventing Drought

In contrast, several agricultural experts are of the opinion that, considering the circumstances, 1979 was a most successful year for Hungarian agroculture. In 1979, Hungary was struck with the severest drought of the decade. Due to bad weather, the production of cereals alone dropped by 30 percent and was 2 million tons less than in 1978. The drought caused losses for pea, rape, and also for many types of fruit production. The drought caused about 5.6 billion fts. damage to plant cultivation--which is 3 percent of the gross agricultural production. In spite of this, agriculture, in toto, did not produce less in 1979 than in the peak production year of 1978. This explanation of the success of 1979 is not only undeniable but also instructive because it shows the reserves inherent in our agriculture.

The farms acted in time to sow corn and sunflower in place of the burned out wheat and rape plantings. Of course, this caused cost overruns but in part made up for production losses.

The acreage of sunflowers in 1979 exceeded that of 1978 by 73,000 hectares. Counting 1.8 tons/hectare, the extra sunflower average yielded 1.2 billion fts. in agricultural income. The average corn yield in 1979 was 5.42 tons/hectare. If we count the extra 100,000 hectares of corn replacing the perished wheat, we can add 1.4 billion fts. to agricultural income from this corn.

Thus, one-half of the income loss due to the drought was made up by the increased corn and sunflower plantings. The other 50 percent of the loss was made up by the income from livestock (which brought in 85.75 billion fts. last year). In 1979, livestock production increased by about 2.5 percent--which is in excess of 2 billion fts.

The Structure of Meat Production

The value of livestock production was about 40 percent of the total value of agriculture at the beginning of the 1960's. This ratio exceeded 50 percent in 1979. Further development of livestock raising is the reserve which can increase agriculture production in the future.

The question arises: can we not increase the value of agricultural production by a speedier increase of livestock production, not only in times of drought but at other times also?

This is possible. Our hog and poultry production is progressing but the cattle sector is lagging behind. This can also be seen in the comparison [below]:

The Ratio of Meats in the Total Production (in percentages)

	Cattle	Hog	Poultry
Austria	35.9	52.2	10.1
CSSR	32.0	54.7	10.3
Great Britain	41.8	27.8	21.4
France	29.4	27.6	13.5
The Netherlands	26.8	54.2	17.8
FRG	24.3	65.9	7.4
GDR	32.2	59.5	6.7
Hungary	16.1	62.7	19.7

The ratio of beef production is lowest in Hungary. In Austria, CSSR, and Poland they keep twice as many cattle per 100 hectares (more than 60 head) than in Hungary (29 head).

The results of this unfavorable meat production structure were especially evident in 1979: pork production increased above the planned quantity. For this, we had to feed the hogs more corn and import more protein feed.

The beef cattle, on the other hand, when put out to pasture, eat less feed and imported protein than do hogs or poultry. Yet, we are still not developing the beef cattle branch of our meat production: the feed- and protein fed hog and poultry production develops fast, which places large feed import demands on the economy.

From a general economic standpoint, it would be more advantageous to structure our meat production in such a way so that the present beef production figure can be doubled or tripled. Hungarian agriculture has enough feed to keep that many head of cattle. Put another way, presently the domestic beef cattle production--due to low-level utilization of our pasture and meadow lands--is only 50 percent exploited. If we consider that 50 percent of our food export is meat and our foreign trade balance is negative, the large-scale neglect of our beef production capacity appears wasteful.

Yields Can Be Tripled

In the coming years we intend to further increase our food exports. Of exportable foods, beef and beef products have a safe market. At the same time, the productivity of beef cattle can be greatly increased by year-round pasturing and higher grass yields. Thus, national economic interest dictates that our meat production structure be modified to have a higher ratio of domestic beef-cattle products.

This modification is all the more important because the more pork and poultry we export, the more protein—soy meal—we must import. We would also use up our corn for the hog feed which we could otherwise sell on the world market.

Higher beef cattle production, on the other hand, can be achieved with domestic resources. The country has more than 1.3 million hectares of pasture and meadow lands. Their average production (15-16 quintals/hectare) is very low and has not changed in the last decades. As we could triple the yield of the plowed land, so also the yields from meadows and pastureland could be tripled. This is unrealized potential and one of the bases for the large-scale increase of our beef-cattle stock.

A great deal of agricultural by-products can be used for cattle fodder. A large part of the many million tons of wheat straw and corn stalks go to waste because we do not have the cattle to consume them.

Some large enterprises--the Kiskunhalas State Farm, the Tordasgyuro Cooperative, and a few others--are successfully developing cattle production. But these are the exceptions. Ninety percent of our agricultural enterprises could raise cattle, and have by-products and pastures but do not develop beef cattle as a main line of business.

Is It a Deficit Branch?

Another proof that cattle raising is not developing in Hungarian agriculture is that poultry meat production quintupled between 1950 and 1978 (from 87,000 to 4[illegible]0,000 tons). Pork production increased by 150 percent, whereas our cattle stock is the same as in 1950: 2 million head.

There are several reasons for the stagnation of beef cattle stock but the main cause is faulty price policy. For decades, the price of beef has been divorced from production cost--it was set too low. Therefore, in the majority of agricultural units the beef cattle is a deficit-producer. Although the state has supported barn construction and beef marketing, it has not supported beef cattle production.

The deficit nature of beef production prevented the increase of feed and fodder development and allowed some of the by-products to perish. When beef cattle production becomes as profitable a line as poultry then the cattle production and stock will grow at the same rate as poultry has been raising. In other words, one of the important tasks of agriculture in the coming years will be to make beef cattle raising profitable.

A few changes have taken place in recent years in the interest of beef cattle production. It has been possible to prevent stocks from decreasing but even now it is not growing. The national economy needs to exploit the "unused capacity" of beef cattle production in the coming years on the part of the agricultural enterprises.

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MAJOR PROBLEMS IN MARITIME ECONOMY DEVELOPMENT DISCUSSED

Gdansk TECHNIKA I GOSPODARKA MORSKA in Polish No 1, Jan 80 pp 1-4

[Article by Witold Strak, Warsaw: "Major Problems in the Development of the Maritime Economy During 1971-1985"]

[Text] The maritime economy recovered its proper place commensurate with its potentialities in Poland's socioeconomic development at the beginning of this decade. In the late 1960's, Poland's position in world maritime economy did not grow as rapidly as it had previously. There were no clear prospects for its development. Yet, many sections of the maritime economy can play a very important role in increasing Poland's economic growth rate.[1]

The meeting of the Political Bureau of the PZPR Central Committee which on September 28, 1971 approved the main course of maritime transport development in 1971-1975, was important in shaping the country's maritime program.

Broad, concrete and open discussions on problems concerning maritime personnel and maritime economy development were conducted in the early 1970's on all levels of the country. The discussions were initiated at the now-historic meeting of the first secretary of the PZPR Central Committee, chairman of the Council of Ministers, with the dockworkers in Gdansk. At that time, in answer to Comrade Gierek's question, "Will you help?", the dockworkers replied, "Yes, we will help!". The profound political proposal met with the approval of the dockworkers, who found themselves speaking for large segments of the population.

The exchange of viewpoints at the start of the 1970's, understandably emotional after events on the Coast in December 1970, was reflected in the proceedings of the Sixth PZPR Congress. Never before had the problems of the maritime economy been so widely and thoroughly discussed during deliberations at the highest party echelons.[2]

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[1]Edward Gierek: Speech at the 12th Reporting-Electoral Voivodship Conference, PZPR, in Gdansk, April 20, 1971, TGM [TECHNIKA I GOSPODARKA MORSKA] No 6/71.

[2] W. Strak: The Future of Poland's Maritime Economy, Warsaw, 1974, pp 99-102.

The directions of maritime economy development delineated then were contained in the comprehensive program for maritime economy development to 1990. The outline of this program was examined at the joint meeting of the PZPR Central Committee's Political Bureau and the Government Presidium in April 1975. The general directions of maritime economy development to 1990 were then approved. For the 1976-1980 period, these directions were specified in a Seventh PZPR Congress Resolution. An assessment of the realisation of the comprehensive program prepared in 1977 by the Ministry of Foreign Trade and Maritime Economy was then the subject of deliberations of the meeting of the Political Bureau in April 1978. At that time the Political Bureau recommended that the program be updated to adapt it to changed factors, particularly external factors.

The importance of maritime development in Poland's socioeconomic policies was reflected not only in the extended discussions but also in the acceleration of the development of most subbranches of maritime economy (Table 1).

[Table I follows on next page]

Table 1. Major Indicators of Maritime Economy Development During 1960-1980

(1) Wyszczególnienie	(2) Liczby bezwzględne		(3) Przyrost w liczbach bezwzględnych		(4) Wskaźnik przyrostu	(5) Średniorocznego tempo wzrostu	
	1960	1979	1980*	1960–79	1979–80	1980–79 / 1960–79	1960–79	1979–80
(6) Nośność floty, mln ton	0,8	1,8	4,6	1,1	2,7	245	5,4	9,2
(7) Przewozy floty, mln ton	6,0	17,3	41,0	11,3	24,7	200	11,3	9,2
(8) Potencjał składowo-przeładunkowy portów, mln ton/rok	22,0**	37,0	72,0	15,0	35,0	233	3,3	7,1
(9) Przeładunki portowe, mln ton	21,8	36,3	67,0	14,5	30,7	211	3,2	6,3
(10) Połowy ryb morskich, tys. ton	168,0	491,0	600,0	283,0	149,0	122	10,4	5,1
(11) Wartość produkcji globalnej przemysłu okrętowego, mld zł wg cen porównywalnych z 1971 r.	4,0***	14,3	41,3	11,7	24,9	211	43,5	8,3

* Przewidywane wykonanie.
** Szacunek.
*** Wyliczenia szacunkowe na podstawie „Rocznika Statystycznego Gospodarki Morskiej" 1945–1968, s. 611 i 1978, s. 155.
Źródło: różne roczniki statystyczne GUS.

*Anticipated fulfillment

**Estimated

***Estimated on basis of MARITIME ECONOMY STATISTICAL YEARBOOK, 1945-1968, p 611, and 1978, p 155.

Source: Various Central Office of Statistics yearbooks.

Key:

1. Itemization
2. Absolute numbers
3. Increase in absolute numbers
4. Growth indicator
5. Mean annual growth rate
6. Fleet deadweight, million tons
7. Fleet transport services, million tons
8. Port storage-transshipment potential, million tons per year
9. Port transshipments, million tons
10. Deep-sea fishing, thousand tons
11. Total shipbuilding industry production value, billion zlotys in 1971 prices.

Poland's share in the world's maritime economy also increased. And there was a large increase in wages in the maritime economy, as shown below (average monthly wages in thousand zlotys; not entirely comparable; in 1960, gross wages, 1970 and 1980, net wages; in 1980, combined with items not previously included in wages, e.g. value of services in kind):

Itemization	1960	1970	1980*
Maritime transport service	3.8	3.7	12.0
Seaports	2.3	2.7	6.8
Fishing economy	2.2	3.7	9.4

* Anticipated fulfillment

The chief indicators were as follows (in percentage):

Itemization	1970	1980
Maritime turnovers	0.80	1.75
Fleet tonnage	0.55	0.70
Fleet transport services	0.70	1.20
Deep-sea fishing	0.80	0.98

An examination of the figures and indicators presented in the tables with the statement of Comrade E. Gierek, first secretary of the PZPR Central Committee: "We still have a long way to go if Poland's presence on the seas and the maritime economy's share in the production of national income are to be commensurate with our great turnaround, our return to the 500 kilometer coast of the Baltic Sea." [3]

Data on maritime economy development during 1971-1980 in five-year segments (Table 2) and the development of the maritime economy during 1981-1985, as outlined in the Central Committee Guidelines for the Eighth PZPR Congress,[4] require a detailed study of the hypothesis proposed several years ago, namely that the potential of the maritime economy is approaching a threshold quantity.[5] Presumably, this hypothesis will better explain the causes for the decrease of investment outlays for the maritime economy in recent

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[3] Edward Gierek: op. cit.

[4] Central Committee Guidelines at the Eighth PZPR Congress, "On the Further Development of Socialist Poland and the Prosperity of the Polish Nation", Warsaw, October 1979, in a continuation of the Guidelines article.

[5] W. G. Strak: op. cit., p 206

years than would a discussion on the underestimation of the maritime economy, although some underestimation could still be noted, particularly the role of ports in the country's harmonious socioeconomic development. The hypothesis is defended by the inability of the maritime economy to fully utilize the investment limits allocated for its development in the current five-year plan. It is also characteristic that although the difference between the aggregate amounts of the not-too-generous planned investment outlays and their execution is 2 to 3 percent, the difference between comparable amounts for construction-assembly jobs is about 10 percent.

Accelerated Development of Port Potentialities and Port Bottlenecks

Port crews were not able to prevent bottlenecks in their storage-transshipment of grain, ore and general cargo. Bottlenecks in one cargo group could have been eliminated sooner if construction of an ore terminal in the Northern Port and a container terminal in Gdynia had not been begun. But then it would have taken longer to eliminate a bottleneck in another cargo group. Would some other time schedule for construction of the ore and container bases been more profitable, namely, giving priority in the bulk cargo group to construction of a grain terminal? This question, it must be assumed, must remain unanswered for lack of macroeconomic accounting support.

[Table 2 follows on next page]

Table 2. Growth Rate of Poland's Maritime Economy in 1971-1975 and 1976-1980

TABL. 1. DYNAMIKA POLSKIEJ GOSPODARKI MORSKIEJ W LATACH 1971—1975 I 1976—1980

(1) Wskaźniki	(2) Przyrosty w liczbach bezwzględnych		(3) Wskaźnik 1976—80	(4) Średnioroczne tempo wzrostu	
	1971—75	1976—80	1971—75	1971—75	1976—80
(5) Nośność floty, mln ton	2,1	0,6	52	16,6	2,8
(6) Przewozy floty, mln ton	12,9	11,8	91	11,6	8,3
(7) Roczny potencjał składowo-przeładunkowy portów, mln ton	22,0	14,0	67	22,7	4,4
(8) Obroty ładunkowe portów, mln ton	24,7	20,5	83	5,4	4,7
(9) Połowy ryb morskich, tys. ton	281,0	148,0	70	2,8	2,2
(10) Wartość produkcji globalnej przemysłu okrętowego, mld zł	24,5	18,3	49	12,1	9,9

Źródło: różne roczniki statystyczne, wyliczenia własne.

Source: Various statistical yearbooks, author's calculations

Key:

1. Indicators
2. Growth in absolute numbers
3. Indicators 1976-1980
4. Mean annual growth rate
5. Fleet deadweight, million tons
6. Fleet transport services, million tons
7. Annual port storage-transshipment potential, million tons
8. Port cargo turnovers, million tons
9. Deep-sea fishing, thousand tons
10. Total shipbuilding industry production, billion zlotys

Scientific research studies are urgently needed on the application of scientific forecasting methods "on growth of transshipment capacity of maritime ports to the level of 85-90 million tons in 1985" [6] and on the difficult optimization or rationalization of other investment enterprises under consideration in the maritime economy.

In referring to the need for building transshipment bases in ports, the guidelines justifiably do not specify them in detail. Some other segments of the maritime economy, outlined in the current five-year plant for 1981-1985 require detailed examination. They are indispensable if judgments are to be made, using cost-effectiveness analyses, on some still unresolved problems, e.g., the expansion rate of the seagoing fishing fleet and the passenger and ferry fleets.

It is extremely difficult to set priorities on several investment ventures under consideration in the maritime economy. For example, the consequences of the suspension of maritime transport passenger service, developed over almost 50 years, must be considered. This is very important to Poles and to Americans of Polish origin. Also, the necessity for limiting the share of investments in the national income (to a level below 20 percent) must be examined. For 1981-1985, this growth was estimated in the Guidelines at 14 to 18 percent.[7]

Urgent interministerial consultations are needed before decisions can be made on target dates, size, and the execution period of certain port investments, particularly a grain terminal and a bulk cement transshipment terminal. The suggestion that advanced studies and design work on some port investments be intensified does not imply that the execution periods of these investments will be extended. It implies another concept: That design work be comprehensive, and if possible, unhurried, but that construction be speedy. This concept is generally applied to design work but it has not always been applied to construction of some recently executed port investments:

-- two deepwater bases in the Northern Port in Gdansk (with a combined annual capacity on the order of 15-18 million tons),
-- a coal terminal in Swinoujscie (capacity exceeding 4 million tons),
-- a fertilizer rawstuffs transshipment terminal in Gdansk (2.5 million tons capacity),
-- a powdered and liquid sulfur transshipment terminal in Gdansk (2.5 million tons capacity),
-- a container terminal in Gdynia, in partial operation since November 1979.

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[6] Guidelines, p 36

[7] Guidelines, p 27

Design work on these key port investments was begun in the late sixties or earlier. The execution of some of them was begun late in the past decade, but most of the investment effort was made during the current ten-year period. The scope of this effort, encompassing other branches of the maritime economy, is illustrated by two figures: for maritime economy investments of the subbranches supervised by the Ministry of Foreign Trade and Maritime Economy, according to present forecasts, about 100 million zlotys will be expended during 1971-1980, and the value of fixed assets in the maritime economy (not including the shipbuilding industry), was 117 billion zlotys at the end of 1978.

One fourth of investment outlays incurred for expansion of maritime potential during 1971-1980 was allocated to increase the storage-transshipment capacity of maritime ports. An attempt to allocate larger investment means to increase this potential was frustrated by a very strained material balance and construction production capacity.

Rapid Expansion of Tramp Fleet and Liner Transport Service Problems

The deadweight of ships delivered to Polish shipowners during the current ten-year period will be almost 3.4 million tons, of which almost 70 percent (2.35 million tons) falls during the first half of this period. The tramp fleet, whose tonnage will increase from almost 0.7 million tons in 1970 to 3.2 million tons in 1980, almost 3.5-fold, is being expanded particularly rapidly. A modern tanker fleet has been built and ship deadweight of this fleet is now 1 million tons. The Polish Steamship Company developed--overdeveloped, in the opinion of some--its potential, taking advantage of the favorable economic delivery of ships from British shipyards.

The line fleet was also expanded. Its deadweight will increase from 837,000 tons in 1970 to almost 1.3 million tons in 1980, i.e., by 50 percent. Delays in modernization of the line transport service were widely and exhaustively discussed in the trade press, hence it is not necessary here to discuss operational and economic delays in line fleet expansion.

In both line and tramp ship overhaul in the seventies, despite considerable fleet modernization, there has been no improvement in the technical readiness of the merchant fleet. On this subject the Guidelines state: " The merchant and technical fleet and the containers should receive efficient overhaul service, guaranteeing a high degree of technical readiness, in the Polish overhaul shipyards... "[8]

In justifying the need for accelerated line fleet modernization, and especially drastic acceleration of the delivery of specialized ships, it

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[8]Guidelines, p 36

should be mentioned that the need for satisfying some of the foreign trade needs for transport by tramp and not domestic tonnage, does not as clearly weaken the position of the Polish transport service on the international market and is not always as closely linked to the self-interest of the consignees, as the structurally obsolete (average age, 12 years) and numerically inadequate line transport service tonnage.

The solid position of the line transport service on the international market is the result of long-term, frequently complex, work and efforts of the Polish Ocean Lines. Utilization of this important asset of the Polish Ocean Lines and the need to continue responsible transport service policies in the interest of foreign trade and the balance of payments, justifies the thesis: "Modern tonnage, particularly line tonnage, should be gradually expanded" [9] (emphasis by author).

Without minimizing line fleet problems, it must be stated that the Polish Ocean Lines and the Polish Steamship Company both end the decade of the seventies with some important achievements. The Polish flag division servicing foreign trade was increased from 44 percent to over 50 percent in 1980. This share in 1980 will not be much larger than it was in 1975 (50.5 percent). The merchant fleet is now a more versatile tool in foreign exchange than it was in the sixties.

The rate of line tonnage expansion considered inadequate in 1971-1980, will be somewhat (indicator 151) higher than the increase of general cargo turnovers during this period (the indicator is now estimated at 142). Taking into account the fact that these two indicators are not directly comparable, from the macroeconomic viewpoint we cannot repeat the thesis that the potential of line transport service is now the worst bottleneck in the transport infrastructure.

It must also be said that the ship crews, operators and directors of the Polish Ocean Lines knew how to economically operate tonnage in the complex (since 1975) international transport service market situation. This market situation is marked by increased competition between shipowners, a weakened maritime transactions growth rate, which makes it difficult to economically operate less-than-modern ships on certain routes, and ship stopovers in many ports of developing countries. For the tramp transport service also, efficiently operated by the Polish Steamship Company, the situation on the international market brought forth a series of difficult problems, particularly concerning the tank fleet.

The predictable rapid growth during 1976-1980 of size of transports (indicator 135) and value (indicator almost 150), greater than growth in transport potential measured by fleet deadweight (indicator 115), justifies a positive assessment of the work of both our large transport services.

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[9] Guidelines, p 36

The activation in 1976 of a third enterprise, the Polish Baltic Maritime Transport Service in Kolobrzeg, was a new element in maritime service expansion. It operates passenger ferries, small short-range tramp ships, small ports and ferry stations.

Without becoming involved in an evaluation of diverse, frequently emotional opinions concerning initiatives undertaken by the Polish Steamship Company, it must be said that the renewal of activity in the maritime economy of the central coast, particularly in Kolobrzeg (begun in the early sixties), was fully justified and, we emphasize, it was based on a more comprehensive approach to solving the socioeconomic problems of the development of this region. The Kolobrzeg and Darlowo ports, state the Guidelines, should be further activated.

Selected Problems in Optimizing Maritime Transport Potential and Improving the Functioning of Ports and Maritime Transport Services

Based on the criterion of the interests of the balance of payments and foreign trade, an estimate of the present expansion of the fleet and sea ports, the need to reduce the share of investment in the national income, and the anticipated situation on the maritime transport service market, a lower rate of fleet development in the eighties with the continuation of rapid expansion of port potential is justified.

Thus it is necessary to choose, on the basis of macroeconomic calculations, correlated variants of port and fleet expansion potential. The range of differences, delineated by the Guidelines, between variants is as follows in relation to 1985:

Itemization	Variant I million tons	Variant I 1980=100	Variant II million tons	Variant II 1980=100
Yearly sea-port storage-transshipment potential	85.0	118	90.0	124
Deadweight transport service fleet	5.3	115	5.5	120

It is possible that during the course of the detailed work on the 1981-1985 five-year plan, it will be necessary to expand the field of study on the potential of the ports so that they can obtain, still in the eighties, indispensable, economically justified reserves of potential.

Efficient, economic operation of an important and, for the most part, modern fleet potential, whose transports to and from its own ports are 80 percent of its employment, requires that bottlenecks in ports and overhaul shipyards must be eliminated as quickly as possible.

In order to solve these problems " the problem planning which will promote solutions to the key socioeconomic tasks, must be improved".[10] The "narrowing of the disparity between the growth of the transport needs of the economy and the transport potentials [11] is one of those key tasks."

In ports, especially in the complicated transport centers, all transport means are concentrated. Their diverse technology, the tasks that are not efficiently coordinated (particularly those of the railroads and sometimes the forwarding agents or foreign trade enterprises, representing rapidly changing needs of the buyers and suppliers of the goods on the one hand, and the shipowners on the other hand, signify a need for utilizing foreign experience to improve transport control processes.

Recognizing the importance of ensuring that the ports have sufficient investment means, we should also add that in the ports, too, efforts must be taken that will lead to "fuller consideration of the hard exigencies of economic discipline ".[12] Of particular importance for the country s entire transport infrastructure is the strengthening of the economic displine at all levels.

The interests of many enterprises and port authorities executing the directives and requests of many centers in the interior of the country, merge in the ports. It is indispensable, therefore, that there be an objective, scientific study and consultation between the concerned parties of the ports, on whether the rights and duties which would promote organizational efficiency, should be defined. Such studies and exchanges of viewpoints are an indispensable condition for the success of work on the statutory regulation of the functions and principles of cooperation of units in the socialized economy.[13] They are indispensable also for proper execution of directives of the Guidelines ordering " an evaluation of the undertakings aimed at improving planning, management and economo-financial systems and, on this basis, formulating proposals on future functioning of the economy ".[14] The improved solutions must be implemented "so as to be universally binding in 1983".[15]

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[10] Guidelines, p 41

[11] Guidelines, p 35

[12] B. Polinski: A Voice in Discussions at the Sixteenth Plenum, Central Committee, PZPR, TRYBUNA LUDU, October 22, 1979.

[13] Guidelines, p 42

[14] Guidelines, p 47

[15] Guidelines, p 43

One of the central problems of the work discussed is the linkage of the economo-financial enterprises of the maritime transport services, ports and other enterprises working in contact with maritime transport. An examination should be made of the recent unfavorable indicators on port profitability and quality (speed) of their services, particularly the roadstead-roadstead indicator. Consideration should be given to introducing into port tariffs the principle of tying prices for port services to the speed of these services. In any case, a penetrating analysis of activities establishing transport management, transshipment norms in ports, freight car orders, overhaul specifications, etc., would be useful.

The indicated studies and consultations will undoubtedly help in determining whether the system of functioning and organization of maritime transport and its enterprises, as well as the flow of information between them, will promote--as conceived by the Guidelines--"universalization of such qualities as solidarity, promptness and honesty in all government units at every management level."[16]

Final Comments

Both the capabilities of maritime transport discussed in detail and those of the remaining subbranches of maritime economy[17] indicate that further development is possible. At the same time, the maritime economy during the coming ten-year period is faced with the difficult task of crossing the threshold quantity. If this does not occur, stagnation, or even regression, may follow.

The working hypothesis that the maritime economy is reaching the threshold quantity should be helpful in touching upon, before the final draft of the five-year plan (1981-1985), several specific problems in the maritime economy and should help to explain them. It is also important that the discussion favor setting of directions and target dates for problem-solving in the next ten-year plan and not favor postponement of critical decisions. The solving of maritime economy problems is also aided by treating both investment and non-investment undertakings equally. One of the basic

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[16] Guidelines, p 42

[17] I have discussed the problem of maritime transport in greater detail and have only touched upon some problems of deep-sea fishing and shipyards, mostly due to the restricted scope of the article, but also because I am voicing the opinion that the role of maritime transport in restoring economic balance is being advanced.

non-investment undertakings is the improvement of the economy management system. Work on the economo-financial systems is important in this improvement. The work can be a more cohesive tool for revealing conflicts of interests in specific branches and solving them. The economo-financial systems, more cohesive than heretofore in developing plans and evaluating their execution, can better point up the needs of foreign trade and the on-shore bases, and the increasing structural and situational changes in the world economy.

For work on improving the economy management system, the treatment of internal and external conditioning, objective and subjective causes, is an important systematic indicator. Too often, ordinary inefficiency and incompetence are elevated to objective difficulty, without regard to the fact that yesterday's or today's unresolved subjective difficulty will, in time, become an objective difficulty.[18]

In developing this important idea, it should be added that, e.g., difficulties in expanding technical bases of ports are, for the ports, objective difficulties, externally conditioned, but they cannot be similarly regarded by those who are responsible for "creating conditions conducive to efficient functioning of the economy" and "improving methods and practices for controlling economic processes".[19]

...with other external conditioning for a subbranch of the maritime economy ...not always be similarly evaluated by the ministries doing the branch planning and supervising the specific subbranches. These ministries should be responsible for their subordinate fields for execution and control of development policies of the subbranches."[20]

The comprehensive definition of the Guidelines thesis on the division of work between the Council of Ministers' Planning Commission and the ministries will be very important in strengthening the role of the maritime economy in the country's development. "The Planning Commission...should ...the function as a staff (the dominance of advisory activities--...[rank by author]) organ of the government, responsible for the organiza...n of a system of planning and developing national socioeconomic plans and analyzing and evaluating their execution. This requires that the role of the ministries be so shaped that they will be spokesmen for society's interests and needs."[21]

...Gierek's speech to the Sixteenth Plenum, PZPR Central ...ittee. TRYBUNA LUDU, October 22, 1979.

...Guidelines, p 40

...Guidelines, p 41

...Guidelines, p 41

Presumably the discussions in the maritime circles preceding the Eighth PZPR Congress will be helpful in developing a resolution specifying the undertakings that are indispensable for satisfying society's needs and interests by the maritime economy and for properly utilizing the development potentials of the economy. These potentials are lower than they were in the seventies but they are still very important.

The Polish People's Republic has made up for, or has almost made up for, a century's backwardness in utilizing its natural wealth--the sea. This fact is one of the important unifying elements in the nation's orientation. This orientation "does not include, on the contrary, it provides for a democratic, intense and honest discussion embracing differences in opinion".[22]

Most generally, the substance of the discussion preceding the Eighth PZPR Congress which promotes optimal development of the maritime economy, is characterized by the need to precede the questions concerning the amounts of the investment outlays with an analysis on freezing fixed assets, on the often highly qualified direct labor in investment and production processes, and on an evaluation of the structure of investment outlays. Hence it is impossible to overestimate the importance of evaluating management efficiency in every subbranch and in every job position.

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[22]Guidelines, p 47

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MARITIME SERVICES FOREIGN EXCHANGE TRANSACTIONS FOR 1978 DESCRIBED

Gdansk TECHNIKA I GOSPODARKA MORSKA in Polish No 1, Jan 80 pp 9-11

[Article by Jerzy Wesolowski, Warsaw]

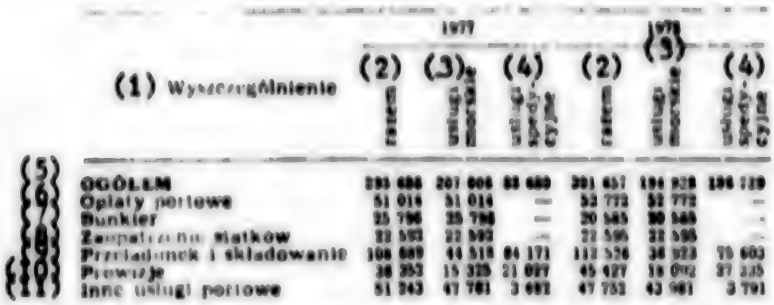
[Text] In publishing foreign-exchange transactions for maritime services it should first be noted that they are compiled on the basis of materials used by the Polish National Bank to prepare our country's clearing of accounts balance. This balance is basically the equivalent of the balance of payments as conceived by the International Monetary Fund [IMF]. Thus it is possible to compare our data on foreign-exchange transactions for maritime services with the same data from capitalist countries based on their balance of payments.

But our balance contains supplementary data that are not contained in the balance according to the IMF system. Namely, it shows in accounts receivable the full value of transport services included in the freight invoice in c.i.f. [cost, insurance and freight] exports and the related accounts payable for transport services provided by foreign shipowners. However, the balance of payments prepared in accordance with IMF rules ignores these transactions entirely. It has been assumed in this case that the accounts receivable equal the accounts payable, or that there is no balance so there is no need to show them and increase the balance transactions. But practice does not confirm this assumption, for in actuality the exporter in most cases derives specified profits in c.i.f. transactions, particularly when a foreign fleet is employed. Also, the foreign currency of the export transaction may not be the foreign currency of the freight payment, hence differences in balances in individual countries may occur.

To maintain the above-mentioned comparability, we have excluded from the separate, in our balance, forwarding services item, transactions on maritime forwarding services, together with freight earnings through forwarding agents, adding them to transactions included in the maritime services item, which distinctly results from the system of equivalent statements.

Port Services

Accounts receivable from port services in 1978, as compared to 1977, were as follows (in thousand foreign-exchange zlotys):



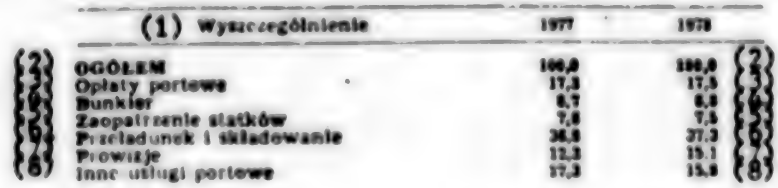
Key:

1. Itemization
2. Total
3. Maritime services
4. Forwarding services
5. Grand total
6. Port fees
7. Bunker fuel
8. Ship supplies
9. Transshipment and storage
10. Commissions
11. Other port services

In 1978 there was only a slight increase in accounts receivable, just 5,971 thousand foreign-exchange zlotys [thous f-e zl], i.e., an increase of 2 percent over 1977. This increase was much lower than the increase in foreign ship tonnage at entry, which was 10.2 percent (15,412 thousand net register tons [NRT] in 1977 and 16,977 thousand NRT in 1978).

Accounts receivable for commissions increased the most (by 9,075 thous f-e zl, i.e., by 25.0 percent), transshipment and storage (3,837 thous f-e zl, or 3.5 percent). But accounts receivable for bunker fuel dropped greatly (5,211 thous f-e zl, or 20.1 percent).

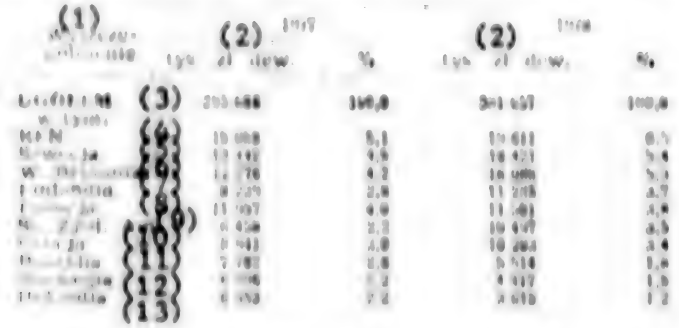
There was also a change in the share of individual items in the total accounts receivable (in percent):



Key:

1. Itemization
2. Grand total
3. Port fees
4. Bunker fuel
5. Ship supplies
6. Transshipment and storage
7. Commissions
8. Other port services

The geographic distribution of accounts receivable for port services is as follows:



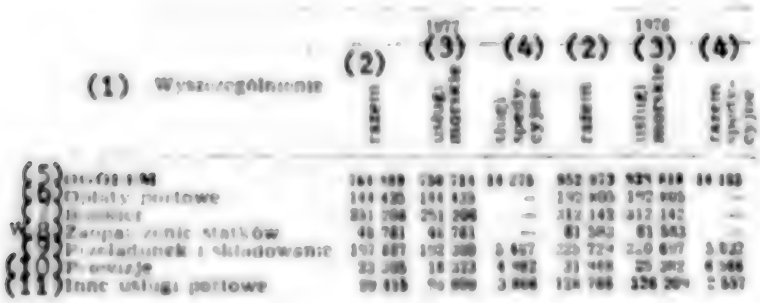
Key:

1. Itemization
2. Thousand foreign-exchange zlotys
3. Grand total, including
4. FRG
5. Sweden
6. Great Britain
7. Finland
8. France
9. United States
10. Greece
11. Brazil
12. Norway
13. Holland

The largest increase in accounts receivable in 1978, as compared with 1977, was in relation to the FRG (by 4,553 thous f-e zl, i.e., by 30.2 percent); next was the United States (4,039 thous f-e- zl, or 62.5 percent); Great Britain (3,792 thous f-e zl, or 30.9 percent); Finland (3,046 thous f-e zl, i.e., 37.0 percent).

Total accounts receivable from capitalist countries increased from 130,081 thous f-e zl in 1977 to 158,457 thous f-e zl in 1978, meaning that their share rose from 44.0 percent to 52.5 percent during those years.

Accounts payable for port services in 1977 and 1978 were as follows (in thous f-e zl):



Key:

1. Itemization
2. Total
3. Maritime services
4. Forwarding services
5. Grand total
6. Port fees
7. Bunker fuel
8. Ship supplies
9. Transshipment and storage
10. Commissions
11. Other port services

After dropping in 1976 and 1977, accounts payable showed a large increase in 1978, compared with 1977--by 187,984 thous f-e zl, i.e., 24.6 percent. Various units of the maritime economy, e.g., brokers, deep-sea fishing, and others, have a large share of these accounts payable, amounting to 146,035 thous f-e zl in 1977 and 140,241 in 1978.

Ship tonnage of our maritime transport enterprises increased from 2,675 thousand gross register tons [BRT] in 1977 to 2,736 in 1978, i.e., by 61 thousand BRT or 2.3 percent.

As regards accounts payable of our deep-sea fishing fleet, in 1977 they amounted to 108,599 thous f-e zl, i.e., 14.2 percent of the sum total, but in 1978 they rose to 114,489 thous f-e zl, constituting 12.2 percent of the total accounts payable for port services. Also, fleet tonnage dropped from 313.4 thousand BRT in 1977 to 304.3 thousand BRT in 1978, or 9.1 thousand BRT, i.e. 3 percent.

Of all items, the largest increase was in bunker fuel (by 60,936 thous f-e zl, i.e., 24.3 percent); next, port fees (by 48,370 thous f-e zl, or 33.5 percent) and other port services (by 29,351 thous f-e zl, i.e., 22.3 percent) and transshipment and storage (by 27,862 thous f-e zl, or 14.1 percent).

As a result of these changes, there was a change in the individual items in the sum total of accounts payable from port services (in percent):

(1) Wyszczególnienie	1977	1978
OGÓŁEM	100,0	100,0
Opłaty portowe	18,9	20,2
Bunkier	32,8	32,8
Zaopatrzenie statków	6,4	6,5
Przeładunek i składowanie	25,9	23,7
Prowizje	2,0	2,3
Inne usługi portowe	13,9	13,5

Key:

1. Itemization
2. Grand total
3. Port fees
4. Bunker fuel
5. Ship supplies
6. Transshipment and storage
7. Commissions
8. Other port services

The geographic distribution of accounts payable for port services in 1978 was as follows: [Key on following page]

(1) Wyszczególnienie	(2) 1977 tys. zł dew.	%	(2) 1978 tys. zł dew.	%
(3) OGÓŁEM	384 983	100,0	352 933	100,0
(4) w tym:				
(5) W. Brytania	92 945	12,1	183 091	19,2
(6) St. Zjedn. Am.	150 084	19,6	149 353	15,7
(7) RFN	78 182	10,2	90 786	9,5
(8) Francja	33 281	4,4	40 727	4,3
(9) Włochy	24 746	3,2	38 970	4,0
(10) Holandia	22 513	2,9	25 744	2,7
(11) Szwecja	23 534	3,1	26 407	2,8
(12) Belgia	28 799	3,4	27 756	2,9
(13) Hiszpania	41 479	5,4	25 817	2,7
(14) Peru	15 597	2,1	23 857	2,5
(15) Dania	18 458	2,3	20 245	2,1
(16) Japonia	15 303	2,0	20 223	2,1
Australia	15 700	2,1	17 270	1,8

Key:

1. Itemization
2. Thous f-e zl
3. Grand total, including
4. Great Britain
5. United States
6. FRG
7. France
8. Italy
9. Holland
10. Sweden
11. Belgium
12. Spain
13. Peru
14. Denmark
15. Japan
16. Australia

Accounts payable relating to Great Britain rose significantly--by 90,442 thous f-e zl, or 49.2 percent, with bunker fuel playing the largest part (1977, 65,766 thous f-e zl; 1978,141,875 thous f-e zl) and transshipment and storage (1977, 14,486 thous f-e zl; 1978, 19,480 thous f-e zl). Accounts payable relating to Italy also rose (by 13,824 thous f-e zl, or 55.9 percent); Sweden (by 12,873 thous f-e zl, i.e., 54.7 percent); FRG (by 12,624 thous f-e zl, or 16.1 percent). As regards the FRG, the largest items are from (in thous f-e zl):

	1977	1978
(1) opłaty portowe	18 892	21 167
(2) przeładunek i składowanie	28 167	32 729
(3) zaopatrzenie statków	11 412	11 439
(4) bunkier	9 874	11 496

Key:

1. Port fees
2. Transshipment and storage
3. Ship supplies
4. Bunker fuel

But in accounts payable to the United States, the largest amounts are for (in thous f-e zl):

	1977	1978
(1) przeładunek i składowanie	34 204	43 384
(2) opłaty portowe	15 375	25 759
(3) bunkier	78 898	28 026

Key:

1. Transshipment and storage
2. Port fees
3. Bunker fuel

Accounts payable relating to Spain decreased greatly (by 15,612 thous f-e zl, i.e., 37.7 percent).

Transport Services

Accounts receivable attributed to transport services in 1978 and 1977 were as follows: [Table on following page]

(1) Wyszczególnienie	(2) 1977 tys zł dew.	%	(2) 1978 tys zł dew.	%
(3) OGÓŁEM	887 485	100,0	969 103	100,0
(4) Przewozy towarów	817 254	92,1	877 027	90,5
(5) w relacji z własnymi portami	439 841	49,5	482 [illegible]	44,6
(6) między obcymi portami	377 420	42,6	445 771	46,0
(7) Czarterowanie statków	180	—	525	0,1
(8) Przewozy pasażerów	28 106	3,2	42 662	4,4
(9) Prowizje frachtowe	12 337	1,4	10 636	1,1
(10) Inne usługi transportowe	29 608	3,3	37 303	3,8

Key:

1. Itemization
2. Thous f-e zl
3. Grand total
4. Freight transport services
5. On routes in domestic ports
6. Between foreign ports
7. Ship chartering
8. Passenger transport
9. Freight commission
10. Other transport services

In 1978 these accounts receivable rose quite perceptibly--by 81,618 thous f-e zl, i.e., by 9.2 percent. The rise in accounts receivable for freight transport services was important (60,673 thous f-e zl, i.e., 7.4 percent). Attention should also be called to the fact that this increase concerned only transport services between foreign ports (by 68,154 thous f-e zl, or 18.0 percent). In servicing our own ports, the value of transport services dropped very slightly (7,481 thous f-e zl, or 1.7 percent). But some large changes occurred in transport services, namely (in thous f-e zl):

	1977	1978
(1) w eksporcie	221 909	184 325
(2) w imporcie	772 362	42 513
(3) w tranzycie	143 317	205 318

Key:

1. In export
2. In import
3. In transit

The value of transport services for servicing our own trade decreased, but for in transit it rose by 60,003 thous f-e zl, i.e. by 41.3 percent.

It should be stated that the Polish fleet on routes between foreign ports hauled 6,167 thousand tons of cargo in 1977 and 5,564 thousand tons in 1978, or 603 thousand tons less, i.e., by 9.8 percent, and in transport operation 31,745 million ton-miles and 26,385 million ton-miles, or 16.9 percent less. Insofar as in transit cargo passing through Polish ports is concerned, the Polish fleet transported 929 thousand tons in 1977 and 1,321 thousand tons in 1978, or 42.2 percent more (3,907 million ton-miles in 1977 and 4,337 million ton-miles in 1978, i.e. 11.0 percent more).

The value of passenger transport also increased (by 14,556 thous f-e zl, or 51.8 percent).

The geographic distribution for accounts receivable for transport services in 1978, as compared with 1977, is shown below:

(1) Państwa	(2) 1977 tys. zł dew.	%	(2) 1978 tys. zł dew.	%
OGÓŁEM (3)	887 486	100,0	983 103	100,0
w tym:				
RFN (4)	107 718	12,1	120 261	12,4
St. Zjed. Am. (5)	97 306	11,0	113 884	11,8
W. Brytania (6)	70 113	7,9	82 563	8,5
Francja (7)	67 637	7,6	67 983	7,0
Czechosło- (8) wacja	81 484	9,9	81 635	8,4
Szwecja (9)	27 218	3,1	42 554	4,4
Belgia (10)	47 903	5,4	40 831	4,2
Holandia (11)	49 613	5,6	35 763	3,7
Włochy (12)	33 475	3,8	34 944	3,6
Japonia (13)	28 152	3,2	24 841	2,6
Finlandia (14)	22 339	2,5	24 838	2,6
Australia (15)	22 849	2,6	23 389	2,4
Dania (16)	15 249	1,7	19 848	2,0
Węgry (17)	19 733	2,2	19 801	2,0

Key:

1. Country
2. Thous f-e zl
3. Grand total, including
4. FRG
5. United States
6. Great Britain
7. France
8. Czechoslovakia
9. Sweden
10. Belgium
11. Holland
12. Italy
13. Japan
14. Finland
15. Australia
16. Denmark
17. Hungary

A large rise in accounts receivable from the United States occurred (16,488 thous f-e zl, or 16.9 percent); Sweden (15,342 thous f-e zl, or 56.4 percent); FRG (12,543 thous f-e zl, or 11.6 percent); Great Britain (12,450 thous f-e zl, or 17.8 percent). But accounts receivable from Holland dropped considerably (13,850 thous f-e zl, i.e. by 27.9 percent).

Accounts receivable for transports included in the freight invoice in c.i.f. export and executed by the Polish fleet and a foreign fleet on instructions from our own foreign trade enterprises, amounted to the following: [Key on following page]

(1) Państwa	(2) 1977 tys. zł dew.	%	(2) 1978 tys. zł dew.	%
OGÓŁEM (3)	581 543	100,0	631 691	100,0
w tym:				
St. Zjed. Am. (4)	117 632	22,4	86 241	20,0
Włochy (12)	35 021	7,0	44 000	10,4
W. Brytania (6)	40 486	8,1	42 179	9,8
Dania (16)	27 088	5,4	33 474	7,8
Japonia (13)	23 866	4,8	16 007	3,7
Francja (7)	11 533	2,3	13 819	3,2
Libia (10)	11 699	2,3	13 038	3,0
Algieria (11)	21 761	4,3	11 651	2,7
Nigeria (12)	27 406	5,5	19 470	4,3
RFN (13)	12 269	2,4	10 785	2,5
Kanada (14)	11 350	2,3	10 589	2,5
Szwecja (15)	14 161	2,9	9 615	2,3
Maroko (16)	15 694	3,1	8 382	1,9

Key:

1. Country
2. Thous f-e zl
3. Grand total
4. United States
5. Italy
6. Great Britain
7. Denmark
8. Japan
9. France
10. Libya
11. Algeria
12. Nigeria
13. FRG
14. Canada
15. Sweden
16. Morocco

In 1978 the steadily increasing growth tendency of these accounts receivable was interrupted and they fell by 70,052 thous f-e zl, i.e. by 14.0 percent. Accounts receivable from the United States decreased the most (by 31,388 thous f-e zl, or 26.7 percent); Algeria (by 10,110 thous f-e zl, or 46.5 percent); Nigeria (by 8,938 thous f-e zl, 32.6 percent); Morocco (by 7,332 thous f-e zl, or 46.7 percent); Japan (by 7,859 thous f-e zl, or 32.9 percent). However, accounts receivable from Italy increased by 9,869 thous f-e zl, or 28.2 percent, and Denmark by 6,386 thous f-e zl, or 23.6 percent.

Based on total data on accounts receivable for services included in the freight invoice in c.i.f. export and data on the value of accounts payable for transport of cargo in c.i.f. export by foreign shipowners, which in 1978 amounted to 167,768 thous f-e zl, the amount of accounts receivable from the Polish fleet can be established, with the stipulation, of course, that these accounts receivable were submitted by the foreign trade enterprises correctly. The accounts receivable of the Polish fleet, so calculated, amounted to 330,295 thous f-e zl in 1977, and 263,723 thous f-e zl in 1978, i.e., 66,572 thous f-e zl less, or 20.0 percent.

Accounts payable for transport services in 1978 and 1977 were as follows (in thous f-e zl):

(1)	(2)	1977 (3)	(4)	(5)	1978 (3)	(4)
(6)	631 835	582 190	49 645	612 577	552 411	60 166
(7)	144 885	144 885	-	142 180	142 180	-
(8)	361 546	312 403	49 043	327 885	267 749	60 136
(9)	171 218	148 467	22 751	167 789	144 024	23 744
(10)	190 328	163 936	26 392	160 096	123 725	36 392
(11)	7 458	7 458	—	30	30	—
(12)	64 810	64 810	—	87 781	87 781	—
(13)	53 134	53 134	—	54 691	54 691	—

Key:

1. Itemization
2. Total
3. Maritime services
4. Forwarding services
5. Services
6. Grand total
7. Ship chartering
8. Freight transport services
9. In export
10. In import
11. Passenger transport
12. Freight commissions
13. Other transport services

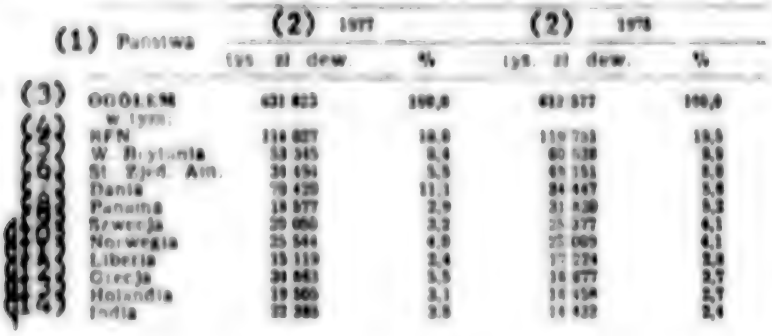
The rising growth of these accounts payable was halted in 1978. In comparison with 1977, they fell by 19,246 thous f-e zl, i.e., by 3.0 percent. Mainly, accounts payable for freight transport services decreased (by 33,641 thous f-e zl, or 9.3 percent), mostly in import (by 30,161 thous f-e zl, i.e. by 15.8 percent). However, accounts payable for freight commissions increased by 22,971 thous f-e zl, or 35.4 percent).

The share of specific items in the sum total of accounts payable changed in 1978, as compared with 1977, as follows (in percent):

Key:

1. Itemization
2. Grand total
3. Ship chartering
4. Freight transport
5. In export
6. In import
7. Passenger transport
8. Freight commissions
9. Other services

The following changes were made in the geographic distribution of accounts payable for transport services in 1978:

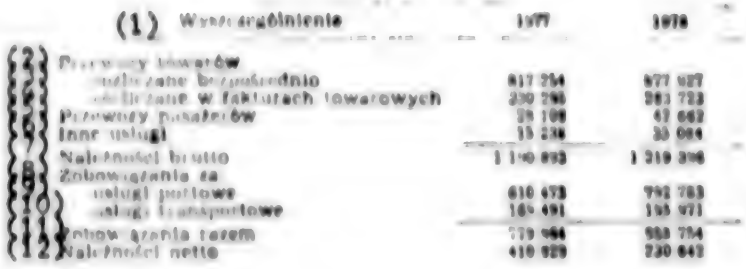


Key:

1. Country
2. Thous f-e zl
3. Grand total
4. FRG
5. Great Britain
6. United States
7. Denmark
8. Panama
9. Sweden
10. Norway
11. Liberia
12. Greece
13. Holland
14. India

The largest increase in 1978, as compared to 1977, was in accounts payable with regard to the United States (by 14,657 thous f-e zl, or 42.5 percent) and Panama (by 13,253 thous f-e zl, i.e. by 71.3 percent). But accounts payable to Denmark dropped greatly (by 35,973 thous f-e zl, i.e., by 51.1 percent): Greece (18,186 thous f-e zl, or 47.8 percent) and India (7,953 thous f-e zl, i.e. by 35.5 percent).

On the basis of the data presented thus far, the sum total of the net and gross foreign-exchange accounts receivable of the Polish fleet can be derived for passenger and freight transport and other services, as follows (in thous f-e zl):



(1)	Wyszczególnienie	1977	1978
(2)	Przewozy towarów		
(3)	[illegible] bezpośrednio	817 254	877 927
(4)	[illegible] w fakturach towarowych	330 298	283 723
(5)	Przewozy pasażerów	29 109	47 662
(6)	Inne usługi	15 232	30 084
(7)	Należności brutto	1 190 893	1 239 396
(8)	Zobowiązania za		
(9)	usługi portowe	610 473	792 783
(10)	usługi transportowe	169 491	195 971
(11)	Zobowiązania razem	779 964	988 754
(12)	Należności netto	410 929	230 642

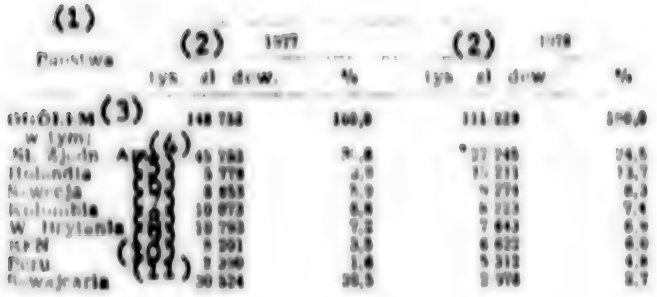
Key:

1. Itemization
2. Freight transport services
3. Direct accounting
4. Freight invoice accounting
5. Passenger transport
6. Other services
7. Gross accounts receivable
8. Accounts payable for
9. Port services
10. Transport services
11. Total accounts payable
12. Net accounts receivable

In the sum total, gross accounts receivable rose by 28,503 thous f-e zl, i.e. by 2.4 percent. But there was a large increase in accounts payable for port services (bunker fuel, port fees, etc.) on which the maritime transport services have a very limited effect. The transport services (freight commissions, ship chartering, etc.) which are a burden to the Polish fleet, also increased. In the sum total, the accounts payable increased by 208,790 thous f-e zl. As a result, net accounts receivable dropped by 180,287 thous f-e zl.

Of course, in the overall appraisal of the work of our commercial fleet, not only should its direct effect on the clearing of accounts balance in the form of the submitted amount of net foreign exchange accounts receivable be considered, but also its indirect effect. The value of transport services in support of Polish foreign-trade cargo in f.o.b. [freight on board] import should also be taken into account. This would make it possible to decrease the expenditures burdening our balance due to transports of imported cargoes.

In addition to the accounts payable issuing from transport services, there are also accounts payable for transport of cargoes in c.i.f. import included in the freight invoice, which in 1977 and 1978 were as follows:

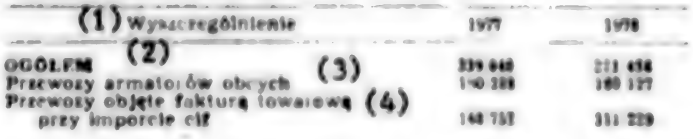


Key:

1. Country
2. Thous f-e zl
3. Grand total
4. United States
5. Holland
6. Sweden
7. Colombia
8. Great Britain
9. RFC
10. Peru
11. Switzerland

In 1978 there was a large drop in these accounts payable, as compared to 1977, amounting to 37,523 thous f-e zl, i.e. 25.2 percent. The drop in accounts payable to Switzerland was extremely large (by 27,548 thous f-e zl, i.e. 90.3 percent), followed by the United States (18,548 thous f-e zl, or 40.5 percent) and Australia (by 11,809 thous f-e zl). But accounts payable in relation to Holland increased by 9,433 thous f-e zl, or 163.3 percent).

Based on these data we can determine the total cost of cargo transport in import burdening our balance. It was (in thous f-e zl):



Key:

1. Grand total
2. Transports of foreign shipowners
3. Transports included in freight invoice in c.i.f. imports

These accounts payable dropped in 1978, as compared with 1977, by 67,548 thous f-e zl, or 19.9 percent.

The 1978 increase in Polish fleet operating costs resulted in a reduction in net foreign-exchange accounts. Under these circumstances, these accounts receivable did not cover the aggregate cost of transporting imported cargo in 1978 by 40,814 thous f-e zl, while in 1977 they covered them with a surplus of 71,889 thous f-e zl. The increased tonnage of our commercial fleet, forecast for the coming years, will certainly produce

an increase in accounts receivable so that it will become an independent source of foreign-exchange income for the clearing of accounts balance, as in past years.

Maritime Services Balance

Based on the figures given, the final foreign-exchange balance of maritime services can be determined (in thous f-e zl):

(1) Wyszczególnienie	1977 (2) należności	1977 (3) zobowiązania	1978 (2) należności	1978 (3) zobowiązania
Usługi portowe (4)	296 888	164 989	301 697	161 978
Usługi tranzytowe (5)	987 488	831 833	989 183	813 897
Usługi transportowe w fakturach towarowych (6)	581 543	148 753	431 491	111 229
Razem (7)	1 865 714	1 565 584	1 792 251	1 676 779
Saldo (8)	—	+ 139 130	—	+ 35 472

Key:

1. Itemization
2. Accounts receivable
3. Accounts payable
4. Port services
6. Transport services in freight invoices
7. Total
8. Balance

9295
CSO: 2600

FACTORS NECESSARY FOR LOCAL SELF-FINANCING CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian No 6, 8 Feb 80 pp 14-15

[Article by Minister of Finance Mihai Parvu]

[Text] Self-financing of the counties, municipalities, cities or communes [illegible] is viewed through the prism of the local budgets of these administrative territorial units and as a requirement for assuring that all expenses are covered from their own incomes of these budgets. In mind is the fact that the main assets at the disposal of the local organs of state power and administration are concentrated and utilized through the local budgets for fulfilling their duties. In a broad sense the problem of the self-financing of locations and counties as a whole, however, should be considered in the general context of application of the principle of worker self-leadership and economic-financial self-administration for all units on the territory and assuring utilization with greater efficiency not only of the assets included in the local budgets but also the other assets administered by the local organs outside these budgets.

Reflecting the continued development of the local economy and increase in the duties and responsibilities belonging to the executive committees (bureaus) of the people's councils in heading economic and social activity on the territory, the local budgets have continually risen during this five-year plan, with their approved volume for 1980 totaling more than 57.4 billion lei, which is 42.8 percent higher than 1975. Their own incomes provided in the local budgets for 1980 are derived, more than 82 percent of it, from the socialist state and cooperative units (mainly as payments from profit, tax on circulation of goods, tax on total salary fund, tax on the income of the cooperative organizations, agricultural tax from the agricultural production cooperative) and 11.1 percent comes from taxes from the population.

Nearly half of the expenses approved through the local budgets for this year are headed for financing the local economy, held by investments in economic and social-cultural projects and, in particular, housing construction, for which more than one-third of total assets provided in these budgets is directed. Social-cultural expenses represent 46.4 percent of total expenses of the 1980 local budgets. The importance of the tasks which the

people's councils have in the social-cultural area also comes from the fact that of total expenses provided in the state budget for financing these actions, the local budgets finance 89 percent of expenses for health protection, 64 percent for education costs, 74 percent for culture and art expenses. In accordance with the Law on Finances, covering of expenses provided in the local budget is done through these budgets' own incomes, through amounts deducted from some incomes of the national budget coming from the units under the republic with headquarters in the particular counties (more exact, from the tax on the total salary fund and tax on the circulation of goods due from these units), and where these incomes are not enough--through subsidies from the budget of the administrative-territorial unit which is higher, that is, the republic's budget.

Under 1980 conditions, the incomes planned in the local budgets assure covering around 45 percent of total expenses. If we add to this the amounts deducted from the incomes of the republic's budget, the proportion of covering expenses rises to around 92 percent, with the 8-percent difference being assured through subsidies from the republic's budget. The majority of counties cover their expenses through their own incomes and amounts deducted, with only 14 counties being forecast this year to receive subsidies, compared with 17 in 1979.

The problem is posed of whether the degree of self-financing should be evaluated on a limited basis for their own incomes or if it is correct to also take into consideration the amounts deducted from the republic taxes. Undoubtedly, the real assurance of self-financing should be obtained through their own incomes. However, on one hand, taking into account the tasks which the people's councils have and, on the other, the characteristics of the amounts deducted, we feel that in this stage we also should keep in mind these amounts in assuring self-financing, along with their own incomes.

By law the local organs have duties and responsibilities regarding the entire economic and social activity which takes place on their territory regardless of the subordination of the units through which this activity takes places. By conferral of incomes from the republic's enterprises on the territory, the people's councils are provided with an incentive to have these units fulfill the economic and financial indicators planned and, implicitly, to make the payments due to the budget, from which a portion takes the path of the local budget. One may state at the same time that these payments to the local budgets have their countermatch in the advantages which the republic's units and worker personnel in these units enjoy and the results of the actions and projects financed by the local budgets (services of communal management, municipal projects, housing construction and so forth). On the basis of the same arguments the opinion has been given--and it is not without basis--that the sums deducted or other budgetary incomes from the republic's enterprises on the territory could be moved through an appropriate regulation into the category of their own incomes or given to the local budgets.

The problem of self-financing is not posed only at the county level but must be solved within the county, at the level of each location, municipality,

city or commune. In order to reflect correctly the degree of each locality's self- financing, it is particularly important to have strict application of the criteria established by the Law on Finances, with reference to distribution of incomes and expenses between the county's own budget and the municipal, city or commune budgets. Recording the incomes or expenses in one budget or another, within the same county, should be done by taking into account, according to the case, the subordination of the units making the payments to the budget or through which the financial actions are carried out from the budget, the criterion of the territoriality judged according to the headquarters of the unit, the residence of the party paying or the place where the good is or where the activity subject to taxation is carried out and the duties and tasks which the local organs have.

At the same time, it is also necessary to have greater use of the amounts deducted from the incomes of the republic's budget to balance the budgets of the localities since in some counties in previous year there was a tendency to stop these amounts at the level of the county's own budget and to balance the component budgets through subsidies. Of course, conferral of the amounts deducted for municipalities, cities and communes can only be made within the limits of the incomes forecast to be achieved from the republic's units on the territory of the particular locality, respecting the ceiling approved by law for the county as a whole. This deduction should be based on a solid substantiation of the level of incomes from the republic's enterprises at the level of each administrative-territorial unit.

Of the total of nearly 3,000 local budgets (commune, city, municipal and county), nearly 700 were balanced in 1978 through their own incomes and through amounts deducted, while their number doubled in 1979. All the municipalities, more than 85 percent of the cities and more than 40 percent of the communes were balanced in this way. It is estimated that in 1980, through more judicious distribution according to the criteria provided by law of their own incomes and the expenses as well as through broader use of the possibilities for conferring the amounts deducted by localities, the number of balanced local budgets in this way should rise even more.

The main task belonging to the executive committees and bureaus of the people's councils and their specialized organs at this time along the line of self-financing and balancing of the local budgets consists of reducing and eliminating subsidies within the shortest possible period of time, on the basis of some programs of specially compiled measures for this purpose. Specific tasks in this direction have been established both in the Law on Adoption of the State Budget for 1980 as well as the decision of the Legislative Chamber of the People's Council on approval of the local budgets for this year. Programs of measures are to be drawn up at the level of each administrative-territorial unit (commune, city or county) whose budget is provided with subsidies for this year and they should include specific actions intended to lead to increasing incomes or to reducing expenses, to evaluating the financial effect of each action and the proportion in which it is forecast to reduce the subsidies each year until they are completely eliminated.

The increase in the incomes belonging to the local budgets and assurance of administrative-territorial units' self-financing on this basis is closely linked with and must be based primarily on strengthening worker self-leadership and economic-financial self-administration in the enterprises and other economic units under the people's council.

In accordance with the basic principles of self-administration, the local economic units as well as all categories of economic units must carry out their activity under conditions of higher efficiency, should manage the material and monetary resources they have available so that they cover their expenses from their own incomes, should assure that the capital received from society is paid back, should establish their own capital for development and for the material incentives for the workers' collectives and should contribute to the greatest possible extent to establishing the capital concentrated in the local budget.

Broadening of the enterprises' self-administration under the specific conditions of the local economy at the beginning led to a rather considerable reduction in the incomes received from the units for the budget: For 1980 it is forecast that only around 35 percent of the profits of the economic units under the people's council is to be paid to the local budgets, while the remaining 65 percent is to be held by the enterprises to establish their own capital for development and incentives. It should be mentioned that for the republic sector as a whole, due to the greater volume of profit and higher profitability in the republic's industrial branches, the proportions are nearly reversed, with the payments to the budget representing more than 62 percent of total profits. Development of activity, application of measures for the continual reduction in costs, profitability of the units and the activities for which they record losses, however, must lead to a continued rise in profits and to increasing payments to the local budget.

At the same time, concern must be increased to establish new units for small-scale production, units of popular art or of services, particularly in the communes and cities, based on utilization of local raw materials and the available labor force which, together with assuring satisfaction of the population's demands under better conditions, should be a supplementary source of incomes for the local organs.

There also is particular importance for increasing the incomes of the local budgets in developing activity, raising the profitability of the artisans' cooperative units and consumer cooperative units, which should lead to a higher contribution from them to the local budget through tax on income. Also needed are measures to consolidate the agricultural production cooperatives, raise net production and the profits achieved by them, havecomplete fulfillment of duties regarding the agricultural tax due to the budget, a tax which represents a large share in total incomes of the local budget, particularly in the communes.

As I stated at the start, concern with assuring the locations' self-financing should not be detached from the attention which should be given to achieving a balance between receipts and payments, to administration of all the capital

which the local organs establish and can utilize outside the local budget with care and within a strict savings program.

In accordance with the law, the local state institutions have the right to retain and directly utilize a number of incomes, with the resulting balance at the end of the year between incomes received and expenses being reported in order to be used the next year, in some cases in their entirety, and in other cases following payment of a portion of this balance to the local budget. It is a question of what the law calls the self-financing activities of the state institutions, included in which, for example, are school workshops in the educational units, cultural houses, the administration of markets, fairs and other activities in educational area, health protection, culture or even economic and service activities which, being carried out in small and dispersed units cannot be organized on the principle of economic-financial self-administration. The importance of the capital administered by these units--their incomes for 1980 from current activity and from the balance reported are more than 2.7 billion lei--requires that units using them take firm measures, strictly staying within the levels of expenses approved, strict respect for financial discipline in making payments and complete assurance of the payments made to the local budget.

At the same time, bearing in mind the large surpluses of incomes which appear beyond the level of planned expenses for these kinds of activities, I feel it necessary to improve regulations which are in effect, seeking either to increase the payments made to the budget by introducing some forms of drawing directly connected with the volume of incomes achieved or supporting some expenses financed presently from the local budget from these incomes as, for example, would be covering some expenses of the educational units from the incomes obtained by the school workshops organized in them.

Some capital for special purposes also are administered by the municipal, city and commune people's councils outside the local budget: this is like the population's monetary contribution to carry out public works, the communalforest fund, the fund for rural electrification and so forth, the total volume of which for 1980 rises to more than 2 billion lei. Efficient utilization of this capital is an important component in measures as a whole to assure self-financing. Particularly complete receipt of the population's monetary contribution for public projects, use of the capital accumulated in a manager's spirit, together with involving the citizens on a broad scale in public actions will contribute to carrying out the jobs needed to do activities under normal conditions and the continued beautification of the country's cities and villages, at the same time permitting relief for the local budgets from a portion of the expenses for communal management or other expenses supported from these budgets.

The task of assuring self-financing in the shortest possible period of time for all localities requires that the local organs and local financial apparatus, with the aid of their ministries and central organs, particularly the Ministry of Finances and the Committee for Problems of the People's Councils, take firm action to achieve the budgets of incomes and expenses of all the local units and to identify and apply measures which assure an increase in incomes and reduction in expenses.

PAST, FUTURE ECONOMIC DEVELOPMENT TRENDS STUDIED

Bucharest REVISTA ECONOMICA in Romanian No 4, 25 Jan 80 pp 16-17

[Article by Dr Dumitru Ciucur and Constantin Popescu: "Qualitative Improvement Trends in Romania's Economy"]

[Text] As demonstrated by the levels and correlations in the growth of Romania's economy, the current five-year plan continues the revolutionary process of emphasizing the qualitative aspects of socioeconomic development, and the concerns for greater optimization of efficiency improvements. The increasingly rapid growth of the national income with respect to the social product, of net industrial production with respect to total production, and of the volume of foreign trade with respect to industrial production; the higher labor productivity in industry; the significant increase in the values derived from raw materials, other materials, and energy; the significant reduction in total production costs, particularly as a result of much lower material costs; the introduction of a new economic-financial mechanism based on workers' self-management and the self-management of economic units, as well as on the participation of workers in profits; and the use of net and physical production values as basic plan indicators, are all correlations and premises, defining expressions and conditions, which demonstrate the greater concern shown for quality, efficiency, and competitiveness in all sectors of activity.

It is well known that in accordance with the growing demand for a higher standard of living and improved quality of life for the entire population, the 12th Congress of the RCP has debated and adopted exceptionally important documents for fulfilling this supreme goal of our party's policy, while achieving a dynamic -- and especially qualitative -- socioeconomic development for Romania. During the next five-year plan, our country will move beyond the stage of developing socialist nation, and will become a socialist nation with an intermediate level of development, passing through a most significant stage in achieving the Party Program, on the road toward a communist society. As a result of the proposed objectives, the 1981-1990 decade will assure the achievement of the broad outlines of the tasks for building a multilaterally developed socialist society, thereby making significant progress toward reaching the economic level of developed nations.

In order to fulfill the general objectives for building a multilaterally developed socialist society, the next five-year plan -- as pointed out by Nicolae Ceausescu in the report presented to the 12th Party Congress -- will result in a balanced and harmonious growth of industry and agriculture, and of all branches of the national economy, and will provide an optimum equilibrium between various sectors, so as to increasingly satisfy the needs for the general progress of society, and to continue to improve the material and cultural well-being of our entire nation. In what follows, we will cover some of the basic qualitative elements of the socioeconomic development during the next period.

The role of industry as leading branch in the economy will continue to be consolidated. The requirements for optimum economic development at the present stage impose the expansion of our own raw materials and energy basis, as well as an accelerated restructuring of industry by devoting first priority to advanced processing branches.

Meeting these priorities implies an intensified discovery and exploitation of ... deposits and of new natural substances, an increase in the final recovery factor of crude oil, the use of coal to produce electricity and thermal power, the utilization of our hydraulic energy potential, the construction of nuclear plants, the use of new and unconventional sources of energy, continued improvement in the organization and exploitation of the national electric power network, and the application of strict conservation measures for oil, gases, fuels, and energy, while restructuring industry and the entire economy in this direction. As a result of these orientations, it is forecast that 72-75 million tons of lignite will be produced in 1985, which is over 13 times more than in 1965, that the proportion of the country's power plants using coal and bituminous shale will increase to at least 55 percent, as compared to 40 percent in 1980, that the hydraulic power potential will be increased, and that a first nuclear plant of 660 MW will be placed in operation.

The sustained concern to conserve fuels and energy assures an energy balance and reduces the consumption of primary energy per unit of national income. In addition, the organization of a true recycling industry for raw and other materials, parts, and assemblies, will introduce into the economy large quantities of resources, with positive consequences on the country's entire socioeconomic development. Seeking a substantial increase in coal production and in the continued exploitation of the hydraulic energy potential, while maintaining oil extraction at a practically constant level, about 80 percent of the domestic primary energy consumption will be covered from our own resources beginning in 1980, thus taking a first step toward achieving the objective established by the 12th Congress, of assuring the nation's energy independence during the next decade.

As a priority for the next five-year plan, the restructuring of industry will be achieved through a more rapid growth in the superior, intensive, advanced processing branches; the result will be highly technological products that consume little energy, have a high economic value, and demand

highly qualified work as well as technical and scientific creativity. Machine construction will continue to be the branch with the most dynamic development, at an average annual rate of about 12 percent. Chemistry, oriented more decisively toward the superior utilization of raw materials and energy, will achieve an average annual growth rate of nearly 10 percent.

The construction materials and wood processing industry is oriented toward meeting the demands of the investment program and the needs of the population, and the light industry toward improving the variety and quality of products, with superior utilization of the country's natural and synthetic materials; the essential trait of the food industry, which is expected to develop at more than 8 percent per year, is the adoption of new products with high nutritional value. All of the above disclose a highly dynamic development of the industrial production branches, as well as fundamental orientations aimed at a modernization of their structure according to criteria of economic, technologic, and scientific rationality.

The electronic and electrical industries will develop at an annual rate of about 13 percent, machine-tool production will increase 2.2-fold with respect to 1980, and precision machine work will grow nearly 3-fold, thereby assuring practically all the necessary hydraulic and pneumatic equipment, as well as the elements needed to automate the entire production effort. Concurrent with this, we will increase the production of highly competitive and automated technical tooling, we will expand the industry for aeronautics and nuclear power plant equipment, and we will proceed to redesign our entire range of internal combustion engines to substantially reduce fuel consumption.

Significant qualitative improvements will also be made by the chemical industry. Maintaing the quantity of processed crude oil at the 1980 level, the current five-year plan will see a substantial increase in the degree of chemification, with the result that the production of plastics will increase by nearly 1.7 times, that of synthetic fibers and filaments by about 1.8 times, that of synthetic rubber by about 1.6 times, while the production of fertilizers will reach 5 million tons. The development of fine synthesis and low tonnage chemistry, of pharmaceuticals, dyes, organic pigments, cosmetics manufacturing, and the production of detergents and organic chemistry, will result in a significant increase of these sectors' contribution to satisfying the needs of the national economy and of exportation.

During the next five-year plan, the stress being placed on the qualitative aspects of the development of industrial branches will be encouraged by improved standards in accordance with the demands of technologic progress, the endowment of units with measurement and testing equipment, stronger technical control over all phases of production, improved technical and material supplies, technical standardization of materials and energy consumption, and the optimization of cooperation in production. Within this framework, particular stress will be placed on the rational management of raw and other materials, and on the organization of recovery and full

utilization of raw and other materials, so as to cover at least 40-50 percent of the domestic needs for iron, non-ferrous metals, textile fibers and filaments, mineral oils, and other products, and to completely avoid their waste or irrational use.

An essential priority of the five-year plan and of the next period, is the achievement of thorough agrarian reform, covering not only its technical and material foundations, but also production organization and the sustained development and modernization of agricultural production. The fulfillment of this revolutionary leap in the development of this basic branch of the national economy, which together with industry assures the fundamental balance of the unified national plan, presupposes energetic action toward the attainment of such major objectives as: rational utilization of all land resources and completion of the land improvement program; completion of the crop districting process, soil stabilization, continued increase in the comprehensive mechanization of operations, production chemification, and the application of the most recent advances in genetics and agricultural science; integral modernization of orchards; continued growth of stocks, animal breed improvements, and radical resolution of the fodder problem; conservation and development of forest resources, environmental protection, and achievement of the natural environment balance; full utilization, throughout the year, of the manpower available in villages; and improved activities on the part of unified state and cooperative agroindustrial councils, as well as of each cooperative unit.

In order to fulfill these tasks, and to achieve the high growth of agricultural and animal production, while once more acknowledging agriculture's position as basic branch of the economy, the 12th Party Congress has approved the allocation of a significant volume of investments -- 155 billion lei -- to agriculture. Under these conditions, the 1981-1990 decade will see a stronger transformation of agriculture into a version of industrial activity, and a closer similarity between labor productivity and incomes in agriculture and their counterparts in non-agricultural branches -- primarily in industry -- these being the major guidelines for achieving a profound agrarian revolution.

The fulfillment of the priorities associated with the strong development and modernization of the technical and material basis, and of the branch and territorial structure of the national economy, necessarily imposes the country's continued socioeconomic development in terms of asserting the technico-scientific revolution in all areas of activity, and of emphasizing the contribution of Romanian scientific creativity to the multilateral and dynamic progress of our society. Oriented in accordance with the priorities for optimizing Romania's future socioeconomic development, the Program for Scientific Research, Technologic Development, and Introduction of Technologic Progress approved by the 12th Congress, offers a wide range of problems and a long time scale in its foundations. Integrating the most complex and important problems in the modernization of the national economy and in improved organization, planning, and management of our society, this

program combines in a unified and long-range concept the development of applied scientific creativity with fundamental research, assuring not only the multilateral progress of our science and society, but also increasing Romania's contribution to the enrichment of universal knowledge.

Aimed at the optimum correlation and combination of factors, means, and reserves for the most rapid increase in social labor productivity, this indicator is assured an average annual growth rate of 5.8-6.4 percent for the 1981-1990 decade, representing an increase of 76-85 percent between 1980 and 1990. Under these conditions, labor productivity in industry during the 1981-1985 five-year plan will increase at an annual rate of 7-7.5 percent to contribute about 80 percent of the production growth. This higher increase in economic activity efficiency presupposes a better exploitation of raw, other materials, and energy, an intensive utilization of machinery and tooling, cost reductions -- particularly in materials -- and higher profits. As a result of the modernization of the national economy's structure, and primarily of industry, as well as of the more rapid restructuring through the priority development of advanced processing branches, the value derived from raw materials during the next five-year plan will increase by 34 percent, together with the achievement of a total industrial production of at least 1800 lei, and of a net production of more than 600 lei, for each 1000 lei of fixed assets. In this respect, the provisions for reducing total costs by 7-8 percent and material costs by 5-5.6 percent per 1000 lei of industrial goods production, will mean that for the economy as a whole, together with other measures taken to more substantially increase the efficiency of production activities, the proportion of material costs in the social product will decrease from 57.7 percent, estimated for 1980, to 55.5 percent in 1985, which will increase the proportion of the national income from 42.5 percent to 44.5 percent. The overall efficiency of this process can be followed in the attached table.

As the table shows, a reduction trend can be observed in the proportion of material costs as part of the social product beginning with the 1971-1975 five-year plan, directly as a result of the more rapid growth in the national income as compared to the social product. The 1970-1985 period is thus characterized by a 4-fold increase in national income and a 3.57-fold increase in social product. As a result of this positive trend, the proportion of material costs in the social product will be reduced by 4.0 points, from 59.5 percent in 1970, to 55.5 percent in 1985.

The proportion of material costs in the social product was 1.4 points during the 1971-1975 five-year plan, which has meant an increase in national income of 12.1 billion lei. During the current five-year plan, the reduction of 0.4 points in the proportion of material costs has increased the national income by approximately 24 billion lei. In the next five-year plan, the forecast reduction of 2.2 points in the proportion of material costs as compared to 1980, will result in a national income growth of 58 billion lei, thus clearly demonstrating a major intensification in the action of national income growth factors, and the increasingly efficient utilization of consumed means of production.

Efficiency of the reduced proportion of material costs in the social product

Indicators	1970	1975	1980	1985
Proportion of material costs in the social product (%)	59.5	58.1	57.7	55.5
National income (%)	100	171.0	280.0	400.0*
Social product (%)	100	165.0	260.0	357.0*
Increased national income as a result of reduced material costs (billion lei)	--	12.1	23.9	48.0

*) These calculations took into account the maximum growth limit.

Under these circumstances, a reduction of 4.0 points in the proportion of material costs in the social product over the entire period of 15 years between 1970 and 1985, will increase the national income by 94 billion lei, which is almost equal to nearly all the national income created in 1960; over the 1970-1985 period, each reduction point in the proportion of material costs in the social product will assure an average increase of 23.5 billion lei in the national income. In 1985, each reduction point in the proportion of material costs in the social product will be equivalent to an increase of 24.4 billion lei, as compared to 8.6 billion lei in 1975, thus reflecting once again the emphasis placed on qualitative, intensive elements in Romania's socio-economic development.

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COST CALCULATION, REDUCTION IMPORTANT TO INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian No 4, 25 Jan 80 pp 7-8

[Article by Dr Gheorghe I. Sica, director on the State Planning Committee: "Tighter Plan Discipline for Production Costs"]

[Text] The present and long-range development of the Romanian economy demand greater effectiveness in all productive activities. The main requirement in this stage is management of every leu invested by society so as to obtain the maximum net income, which is essential both to expanded socialist reproduction and to a better quality of life.

Greater economic effectiveness in the material production sectors (manifested in growth of the national income faster than that of the total social product) chiefly depends upon substantial reduction of costs, especially the material ones, per unit of output. Reduction of material outlays per unit of output helps to increase the net output of enterprises and industrial centrals, and reduction of the total costs per unit of reference directly results in greater profits. Accordingly application of the new economic-financial mechanism makes reduction of production costs the main emphasis in implementing the technical-economic processes.

Requirements for Calculating Costs per Unit of Output

Experience in 1979 tells us that the decision makers in enterprises and centrals emphasized reduction of material costs per unit of output more than in the past, indicating the stimulating effect of the net output as a main index of the Uniform National Plan. Out of the volume of more than 6 billion lei saved by the enterprises in national industry in 1979, nearly 5 billion lei or over 83 percent are material savings.

The uniform and all-inclusive nature of the plan provides the organizational framework for regulating and directing the overall processes of production and consumption, contributing to the efficient operation of the socioeconomic mechanism as a whole. The measures to consolidate and expand self-administration of the productive units lend new dimensions to the requirements for

responsible management of the material, financial, human and foreign exchange resources of the national economy on the part of every workers collective. Self-financing of the enterprises in industry, construction, transportation and agriculture calls for greater efforts to perfect their own activities because they are required to cover their outlays out of their incomes and to repay the sums advanced by society as soon as possible. This leads all enterprises to take intensive measures to carry out a strict regime of economy, to spend every leu with the greatest effectiveness, and to operate profitably to increase their incomes. This lends the indices of production costs a new validity, especially in tightening substantiation of decisions and control of their execution.

The increasingly rapid adjustment of productive activity to the social demand for consumption must be made with great effectiveness on both the microeconomic and macroeconomic levels. Calculations of planned and actual costs per product are becoming more important, and they are also of a dynamic nature in the planning process. They are not made by a mere mechanical summation of the cost items but by a critical analysis to determine the reserves and lower the costs. Since the costs originate at the work places in the productive units, it follows that all production divisions and sections contribute to the total production outlays. Therefore the problem of calculating costs is not only one for the operational divisions but a consideration for the economic unit as a whole.

Calculation of costs according to products should be adjusted to the production structure of the unit. A wider assortment of varieties requires calculation at least according to groups of products, and in no case should the discipline of calculating and checking costs according to products be abandoned. The example of the Sibiu Fiasura Rosie Enterprise, which calculates production costs quarterly, with monthly adjustments, for over 12,000 products, is specific proof that such calculations can be made even for a wide assortment of varieties. And without an economic policy thoroughly analyzed according to products, there can be no effort to mobilize the resources that lead to greater profitability of the products or to elimination of the losses, and consequently no attempt to check the evolution of prices or to modernize and renovate the output.

Wide-scale use of the advanced methods of calculation based on electronic data processing systems is making a major contribution to improved computation and checking of costs per unit of output. This is an efficient and analytical way of detecting, in the course of the production process, deviations from the physical and value norms and standards of consumption considered in substantiating the costs plan. Costs discipline requires regular updating of the calculations, which the recommended methods are making possible. In view of the rapid changes in the assortment structure, every productive unit should have a library of calculations per unit permitting prompt calculation of the effects upon economic effectiveness.

Effectiveness of Cost Reduction Programs

The programs to lower production costs have an important part to play in the cost management of enterprises. Devised as working tools for the managements

of the enterprises, centrals and ministries, the programs are the outcome of comprehensive collaboration of specialists in design, technological development, production, and quality control. The cost reduction program is actually one of general correlation of conservation of social labor, and it combines and assimilates the economic effect of the other programs prepared in the production units, especially those for increasing labor productivity, introducing technical progress, reducing specific consumption, improving product quality, etc. We stress this point because in some enterprises and centrals there is no coordination with the other programs prepared in the sections of the plan that determine the total production costs. For example a check made at the Timisoara Electrotimis Enterprise indicated an overrun of production costs was noted when the effect of greater labor productivity upon the total costs was overlooked.

Cost discipline requires careful analysis of economic effectiveness in the other sections of the enterprises' and centrals' plans, adequate mobilization of the contributions of these sections, and assimilation of the effect in the cost reduction program. The measures in the enterprises' manufacturing plans are to be specially emphasized because our tasks in connection with costs cannot be accomplished without applying new technical and technological methods, while it has been found that many enterprises and centrals (Galati Steel and Iron Combine, Brasov Tractor Central etc.) have not quantified the economic effect of the manufacturing plan and are making no particular effort to mobilize this economic effect.

A particular problem in connection with the effectiveness of the program to reduce costs and material outlays is that of a dynamic approach to the program. This requires regular updating of the program and effective measures to recover the lags and to mobilize the reserves that appear in the course of implementing the Uniform National Plan as soon as possible. Bureaucratic attitudes in preparing and checking implementation of the program are no help in managing productive activities, reducing costs per unit of output effectively, or enhancing the effectiveness of material production throughout the national economy.

The problems of tightening plan discipline in the area of production costs are highly urgent because of their direct and significant bearing upon the general effectiveness of economic activity and because of the coordination they provide with the methods of computing and analyzing the net output required to apply the new economic mechanism. In this case it is necessary to avoid overall calculations and promote thorough analyses of the factors affecting the total production costs. Cost discipline should take the form of prompt and soundly substantiated preparation of the cost calculations according to products and of the programs to lower costs and material outlays that will lead to discovery and mobilization of all reserves in enterprises as an important factor for greater economic effectiveness.

Calculations of costs per unit of output and the programs to reduce production costs and material outlays are to become vital instruments for personnel in enterprises, economic centrals, ministries and central organs to enhance

economic effectiveness and profitability and to consolidate the self-administration and self-financing of the units in the economy.

Production cost discipline necessarily requires efforts to substantiate the possibilities of mobilizing the enterprises' reserves. Among these we mention evaluation of savings from reduction of the national, departmental and plant consumption norms, an effort we do not invariably find in enterprises although there is a great deal of talk about them.

No good cost reduction program is conceivable without the most accurate evaluation of the savings made by reducing the norms for consumption of raw materials, materials, energy etc., which is a highly urgent problem. And in view of the necessity of mobilizing reusable resources as extensively as possible, the savings resulting from this effort must have a distinct place in the calculations of costs and in the programs to reduce them.

Strengthening Internal Administration of Sections

Production cost discipline can be soundly strengthened by strengthening the principle of internal economic administration of the manufacturing sections and shops in enterprises. While in some economic units the effort to strengthen this administration meets the requirements, in others the enterprise's indirect outlays are not yet broken down in the sections and the section heads and foremen have no way of completely knowing the administration of which they are in charge. Moreover strengthening the internal administration of the sections and shops is essential to the principle of workers self-management and self-administration.

The difficulties in breaking down the indirect outlays according to work places that are sometimes invoked by chief accountants and economists in enterprises can be eliminated by promoting advanced methods of calculating and recording the costs, which inevitably tends to strengthen the economic administration of the sections.

[illegible] the central organs drafted the "Basic Rules" for planning, recording and calculating production costs in order to strengthen cost discipline, and they have been improved in recent years and adapted to the provisions of the new economic legislation that has been enacted in Romania. Economic and technical personnel in enterprises should have a thorough knowledge of these rules. It is the task of the ministries and centrals to instruct them periodically in the provisions of these regulatory methods. This requires [illegible] stability of personnel in the cost departments and strengthening these departments qualitatively with specialists having the necessary experience and competence.

In view of the [illegible] highly important tasks confronting us in 1980 and in the immediate future in connection with reducing total and material outlays per unit of output, strengthening production cost discipline is essential to thorough implementation of the new economic-financial mechanism.

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RELATIONS OF AGROINDUSTRIAL COUNCIL WITH UNITS

Bucharest REVISTA ECONOMICA in Romanian No 4, 25 Jan 80 pp 12-13

/Article by Reader Letitia Zahiu: "Uniform Agroindustrial Council's Relations with Its Component Units"/

/Text/ As the implementation of the Decision of the Party Central Committee of February 1979 is planned, the uniform agroindustrial council is on the microeconomic level and has administrative autonomy. The council will figure in the future as a large, independent agroindustrial unit with related functions in the economic mechanism. The problem that arises is that of gradually implementing its administrative autonomy and the managerial functions characteristic of independent units.

The council's present organizational system now contains some elements and features of economic self-administration. For example, it is a plan administrative unit and consequently drafts a plan of its own that represents the sum of the plans of the component units. On the basis of the plan indices received from the next highest organ and the uniform technologies established for the entire council for the main crops, as well as the other factors to substantiate the plan, it finalizes both its own production plan and the budget of incomes and outlays. These are submitted for approval to the collective management organs of the component agricultural units, the management of the uniform agroindustrial council and the county agricultural organs. The idea is conveyed that the council now has primarily the characteristics of an organ for coordinating and directing the activities of the component economic units.

Intensification and coordination of cooperative actions among various forms of agricultural and nonagricultural enterprises, allocation of crops to crop rotations and soils regardless of the form of ownership, determination of uniform technologies etc. can enable the council to become a decision-making authority in the respective agricultural microzone. And development of the council's role in the horizontal and vertical integration of cooperation among all the component units through extensive development can lend it new characteristics of administrative autonomy in the future.

The recommended measures are intended to develop the council as an economic unit concentrating the plan with juristic personality and a bank account, all of which are features of economic self-administration involving decision-making functions and rights. The problem is to carry them out consistently in practice. Meanwhile the councils have more limited possibilities of making decisions because their autonomy is limited.

In this stage particular problems arise in determining the most suitable economic relations between the agroindustrial council and the independent agroindustrial units (for production, processing, and sales) within its jurisdiction. These relations must provide for the best operation of all components of the new economic-financial mechanism as well as the material incentive on all organizational levels. In its recommended form, the council is an integrating pole for all activities on its jurisdiction including the industrial ones.

If a true specialization is to be created, it is necessary to create serious incentives to process the agricultural products under the council. Relations between the respective processing units and the agricultural units providing raw materials must be exclusively economic. A correct correlation must be determined between the prices and the costs of the agricultural products, which is as necessary as the correlation of the incomes realized by the industries processing agricultural raw materials with those of the agricultural enterprises that produce them.

What are the relationships between the agroindustrial council and the independent agricultural enterprises and between the latter and the other economic units (for production and services, and educational, research and other units)? How can these relations develop and what improvements can be made in this stage and in the future?

The SMA (Agricultural Mechanization Station) is the independent economic unit that has been given the role of main production organizer under each agroindustrial council. Through the SMA the council performs its function of coordinator of mechanization, chemicalization, irrigation etc. in the state and cooperative agricultural enterprises, intercooperative associations, state and cooperative associations, etc. And still in this stage, on the level of the council, uniform technologies are being prepared for every crop and a uniform mechanization system is being drafted for which the uniform mechanization center is responsible through the existing sections in each agricultural unit. As for most economic use of chemical fertilisers and pesticides, uniform programs will also be prepared for fertilizing and herbiciding the crops and combatting diseases and pests. The SMA will also be mainly responsible for operating the irrigation systems through its specialised units for irrigation, consisting of engine and sprinkler operators.

Actually the whole technical staff essential to agricultural production, whereby mechanization, chemization and irrigation are performed, as well as recruitment of the labor force qualified in these respects have been placed under the jurisdiction of the SMA.

The experience of the state agricultural enterprises has proved the proper performance of mechanical operations depends on the system of machines with which they are equipped and equally upon the organization of labor and production. The SMA or the mechanization section in each agricultural unit cannot do this unless it will have broad powers of decision and direct responsibilities in the unit where the machines, tractors and machine operators function. Even if their pay directly depends upon the yields obtained, the fact that some work the soil and others the technical means can create considerable organizational difficulties. The presence of several decision-making elements cannot be avoided merely by designating the SMA the main organizer of production in the state and cooperative enterprises. We do not think this function can be fully performed unless the best measures are found to provide for uniform use of the main factors of agricultural production, namely the soil, technical means and manpower.

To be sure concentration of the tractors and main agricultural machines in a single center has endless economic advantages. More efficient use of the machines is one of the important purposes of this measure, but to attain this end we must not overlook the importance of increasing agricultural production by prompt and proper performance of all mechanical operations. Mere concentration of the tractors and agricultural machines in a single machinery center without giving the latter sufficient possibilities of deciding upon organization of production activity in the agricultural enterprises can lead to serious disturbances in some cases, when the activity is performed over areas of tens of thousands of hectares with the existing equipment.

Of course efforts to organize the activity on the industrial model are to be expected. But we must not overlook the nature of agricultural production which, among other things, lies in the fact that the work is performed over big areas and the machines are moved to the place of work with very large inputs of fuels and lubricants. In this period of crisis of energy sources, rationalization of transport distances both for machines and tractors and for transport means is a limiting factor that cannot be ignored in organizing agricultural activity. The need of differentiated organizational measures is also confirmed by the models used in the specialized enterprises (of the industrial type) in raising hogs, poultry, cattle etc.

Regional organization of uniform crop rotations regardless of the form of ownership of the land is the new factor in relations of enterprises under the agroindustrial council. Under these circumstances the field becomes the basic unit in organizing the territory, allocating the crops, and performing the agricultural operations. But uniform crop rotation must be not only technical but also organizational. We consider the new organizational concept an important step toward perfecting production relations in agriculture. This hypothesis calls for a change of viewpoint both on cooperation among the component units and on allocation throughout Romania of the various industries for processing agricultural raw materials.

Cooperation under the agroindustrial council is mainly intended for wide-scale introduction of modern equipment and methods, economic and organizational

consolidation of the units participating in the cooperative actions, rational use of the land, labor force and all resources, and better exploitation of agricultural production in order to enhance its economic effectiveness.

The cooperative programs are based upon a contract for cooperation under the management of the agroindustrial council. The fact that the coordinating unit in the cooperative actions is the one that has obtained the best results in the respective activity is a favorable factor in the measures recommended for the second stage of implementing the new system of agricultural management and organization. Maintenance of an extensive autonomy in these cooperative programs is a transitional stage. The uniform council's takeover of functions enabling it to decide the overall and integrated development of the agricultural and industrial-processing units in its jurisdiction will limit the component units' independence in the future, which independence should not be absolute. Of course this limitation should not be of an administrative nature but should be effected with intensive use of the economic levers, namely the remuneration system, prices, credits etc. within the framework created by the new economic-financial mechanism.

The conversion of the council from an economic coordinating unit to a decision making authority with broad powers, within the limits imposed by the general interests of society that are correlated in the Uniform National Plan, is a revolution not only in the system of management and organization but also in that of agricultural production relations. On this assumption, the relations between the uniform council and the units for production, processing, sales, scientific research, education etc. take on new characteristics comparable to those in industry. Scientific organization of whole agricultural-alimentary chain on the basis of the circulation of the agricultural raw materials, primarily under the agroindustrial council, would be an important way to increase economic effectiveness in agriculture and to make better use of resources that have the rare quality of reproducing themselves. Location of enterprises processing agricultural raw materials as close as possible to their source is an economic and social necessity (For example, the cost of the fuel used to ship agricultural raw materials over great distances to be processed considerably increases the material outlays for production in the industrial enterprises). Integrated rural developed is now an important way to reduce material and energy consumption and outlays, and it is also an essential factor for the socioeconomic progress of the village.

In directing the placement of the new enterprises for processing agricultural products consideration must also be given to the aim of stabilizing the labor force in the respective agricultural areas by using the system of part-time work in agriculture (or one period of the year in agriculture and another in the industries for processing seasonal agricultural products), by developing handicraft industries in the rural centers, and by extensive cooperation of individual producers and all villagers with the processing industries and with the agricultural units or those for exploitation (for raising hogs, poultry, cattle, rabbits, bees, fur-bearing animals etc.). All these possibilities created by the new system of uniform agricultural management could further increase the contribution of this sector to the general process of economic development.

We consider the following among the main measures that would aid the success of the concept and practice of the new management and organization of agriculture:

- Scientific organization of the whole nation's agricultural land;

- Implementation at the specified qualitative parameters of all measures established in the party and state documents concerning development of the technical-material base of agriculture;

- Efficient efforts to qualify and stabilize the agricultural labor force by primarily economic methods;

- Optimal correlation of the prices of agricultural products with those of industrial products in order to secure a dynamic balance between industry and agriculture as basic sectors of the national economy;

- Granting broad functions to the agroindustrial councils in management and organization of production with observance of the interests of society and the workers in the component units.

Placing the whole system of relations between the agroindustrial council and the economic units on an economic basis, as well as the relations between the latter and their workers, by using uniform remuneration systems and improving the forms of material incentive for all producers is a factor which, alongside scientific organization of production and labor, will increase agricultural production and improve the quality and effectiveness of all activities in this important sector of the national economy.

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BETTER SUPPLY ORGANIZATION WITH AGROINDUSTRIAL COUNCIL

Bucharest REVISTA ECONOMICA in Romanian No 6, 8 Feb 80 pp 10-11

/Article by Dr N. David, university lecturer/

/Text/ One year has passed since the RCP Central Committee Decision on establishing the united state and cooperative agroindustrial councils, a superior form of organization for activity in socialist agriculture, conceived of by and introduced under the initiative of the party secretary general Comrade Nicolae Ceausescu. In this interval the united councils have proven their viability through the efficiency of the actions undertaken for better utilization of human, technical and material resources in agriculture; they have accumulated a valuable asset in their experience, which permits them to approach the particularly important tasks belonging to them from the 12th party congress documents--of assuring the concentration and specialization of production, efficient use of the land fund and material, financial resources and the labor force and the economic strengthening of each component unit.

Among the problems aimed at organizing the activity of the united agroindustrial councils, a distinct and important place belongs to the unified organization of the material-technical supply of all the economic units comprising the united council.

The framework newly created through establishment of the councils may contribute substantially to carrying out a process for supplying the agricultural units which is qualitatively superior and which leads to greater effectiveness, to optimization of stocks and transport of supplies, to reducing material expenses (particularly for fuels) and, in the end, to a notable rise in economic efficiency in the agricultural units.

Determining What Should be Supplied

From this viewpoint, there are basic differences between the state agricultural units and the agricultural production cooperatives, differences caused by factors such as different degrees of supply with production resources, average output per hectare or per animal, specific consumption per unit of product, unified costs and production profitability.

Whereas in the case of the state agricultural units the supply need is established by proceeding from the lower links (farms, sectors, sections) and is centralized by enterprises, this need for the agricultural cooperatives is established first at the level of the cooperative and then is parceled out by organizational subdivisions; this leads both to some internal lacks of correlation as well as to a weakening of initiative and responsibility at the level of the farms, brigades and sectors with regard to the appropriate assurance with necessary production resources and rational utilization of them. What is more, the supply need of the agricultural production cooperatives for some production resources is established in a centralized way at the level of the county general directorates for agriculture and the food industry (DGAIA) and the county bases for material-technical supply for agriculture (BATMA) and comprising this category are materials which still cannot always be assured in satisfactory quantities (chemical fertilizers, combined fodder, fuels and so forth) as well as materials for which it is felt that determining the need at the level of each cooperative would be done with great approximation (for example, spare parts with a small individual value but with a large number of positions in the supply listings).

Whereas this solution corresponded to the starting period for development of the agricultural cooperatives, when they were poorly supplied with specialists and less consolidated, we feel that under conditions of the current period a more appropriate and uniform method should be created and applied for the state and cooperative agricultural units.

On the other hand, whereas centralizing the supply need for the state agricultural sector is analyzed and changed only to the extent to which some exaggerations are found in establishment of consumption of production stocks, for the cooperative sector the changes are also aimed at the possibilities for payment, with the material-technical supply plan also being defined depending on the financial resources and possibilities for coverage with monetary resources, their own or borrowed.

From the viewpoint of forms of material-technical supply, the agricultural production cooperatives encounter two types of structural difficulties.

First, due to the lower level of concentration and specialization of agricultural production cooperative production, many materials for which supply for the state sector is carried out through the system of transit in freight-car quantities, the cooperative sector obtains them through the storage system, which involves much higher supply expenses.

Second, as a result of the difficult financial situation of some agricultural cooperatives as well as due to the specific form of ownership differing from the industrial enterprises which produce production resources for agriculture, the agricultural cooperatives only have access to the form of supply through acquired transit and not also to supply through organized transit, which is much more advantageous from the viewpoint of supply costs and growth in productivity.

Scientific Setting of Material Consumption

Currently the problem of setting, of keeping records of consumption and the analysis of them and measures needed to reduce them is being treated differently by the two forms of agricultural enterprises. As a result, specific consumption is considerably larger for the agricultural cooperatives as a whole than the one recorded in the state agricultural units, with a negative effect on the unified costs and economic efficiency in the cooperatives.

In principle, each agricultural unit should establish its own consumption standards by adapting the legal consumption standards in effect to the specific economic and natural conditions, in which the production process takes place and, in particular , taking into account the technique used, the characteristics of the machinery, equipment, raw materials and materials utilized and the particular features of the ground and climate.

One of the causes for keeping the differences in solving the problem of consumption standards is the differing degree of employment with specialists for the two types of agricultural units. Bearing in mind that from the viewpoint of natural conditions, the differences are not too great between the units of the same agroindustrial council, the problem is posed of the unified solution of the method of setting consumption by specialists with experience in the particular area. Knowing the average working conditions by microzones within the council, the specialists in setting consumption must give their opinion on the effective current and long-range consumption standards for the various materials, should seek the way they are respected and should analyze the causes for exceeding the consumption fixed and what technical-organizational measures should be taken to continue reducing the actual consumption.

Economic Supply Contracts

We know the particularly important role of economic contracts in material-technical supply as well as in utilization of production. The system of distribution of production resources has been completed since 1971 with the concluding of direct contracts between enterprises while the production plan has at its base the contracts between the production enterprises and the enterprises which consume the production resources.

The PCP Central Committee Decision of March 1978 on Improvement in the Economic-Financial Leadership and Planning states: "The role of economic contracts is to be stressed in planning activity, with measures to be taken to conclude them together with working out plan projects. At the moment of approval, it is necessary for the plans to have at their base completely practical firm contracts for internal consumption; also, the export production and necessary imports must be substantiated by firm contracts, a plan contract, orders of conventions which assure the certainty of supply and sale." In this way the social need and requirements for production consumption are known better, the production plan is substantiated better and no

product can be placed into manufacture any longer if an economic contract for delivery is not concluded beforehand or if the necessary production resources are not assured on the basis of economic contracts.

In the current stage, the agricultural enterprises are treated differently with regard to concluding economic contracts:

The state agricultural units conclude a relatively large number of economic contracts for supply (in most cases, around 100 contracts by each enterprise);

The agricultural production cooperatives conclude few contracts and their supply in many cases is done on the basis of decisions taken at the county level (technical resources, chemical fertilizers, combined fodder and so forth);

At the BATMA level a large number of economic contracts are concluded both with the big suppliers--industrial enterprises which produce production resources for agriculture--as well as with the beneficiaries, direct consumers of production resources (state agricultural enterprises, agricultural production cooperatives, stations for the mechanization of agriculture, units of the food industry and so forth); for example, the Ilfov BATMA concluded around 10,000 economic contracts in 1978.

With a view to assuring the necessary production resources for the agricultural cooperatives under better conditions, we feel that several main ways should be kept in mind, among which are the following:

a) The agricultural cooperatives as well as the state agricultural units should benefit from legal confirmation of the supply plan on the basis of economic contracts concluded with the suppliers or with BATMA;

b) The number of economic contracts concluded by BATMA may be reduced substantially by having the agroindustrial council take over the right to contract itself for the supply need for all the agricultural, industrial and other units which comprise it in a centralized way.

In this way we could reach a quasi-equal treatment for all the economic units which comprise the council, the number of economic contracts would be reduced and effectiveness would grow in finishing off the plan for material-technical supply as well as fulfillment of it.

Optimization of Stocks and of Placement of Storage for Materials

The main categories of production stocks which are established in the agricultural enterprises (current, seasonal, for security, and those being prepared) are intended to assure continuity of the production process and assure that the agricultural jobs are carried out on time and under good conditions, that good utilization of fixed assets and other material resources is achieved and that labor productivity and economic efficiency grow.

Improvement in the Supplier-Consumer Relationship

Relations between producers and consumers of production resources can be improved and simplified very much depending on the formation of working organs in the agroindustrial councils entrusted with fulfilling the multiple tasks belonging to them in the economic-organizational consolidation of the agricultural units and in the intensification and modernization of production.

Differences in the form of ownership between the state and cooperative agricultural units make possible some differences in the forms of the material-technical supply of agriculture as well as with regard to the method of organizing production and the production and financial results. A considerable influence on the economic efficiency of production and on the possibilities for self-financing is exercised by the price system for agricultural production, since some inconsistencies by branches and agricultural crops still remain now with regard to the relationship between production costs and prices. The payment system in the agricultural cooperatives makes it possible for some big differences to appear from one unit to another, which affects material incentives, productivity and participation of the cooperative members in work. All this is reflected in differences in the degree of economic consolidation between the state and cooperative agricultural units as well as between different cooperatives.

In the current stage of resolving some details in the organization of the united state and cooperative agroindustrial councils, partial improvements may be made in the system and network of material-technical supply of agriculture.

The councils could move to a unified determination of the supply need, to unified establishment and seeking of the consumption and stock standard, to unified contracting with BATMA and of the production resources which the component units need, to unified organization of the storage and utilization of the production resources. The united agroindustrial council, being a legal person and being production plan and investment plan holder, will be able to take over the tasks for material-technical supply of the units comprising it and for the technical resources and some work goals for which the establishment of production stocks has been proposed and for their unified storage.

In a future stage, which means organizational and substantial economic changes, deepening of improvement in the economic-financial mechanism on the basis of conclusions drawn from application of them, the united agroindustrial council could take over the entire task of the planning and organizing of material-technical supply for all the state and cooperative economic units in its composition.

In the future we also can keep in mind the idea of abolishing BATMA and its tasks for supply through transit to be taken over by a service within

ENERGY PROGRAM SEEKS NEW SOURCES, CONSERVATION MEASURES

Bucharest REVISTA ECONOMICA in Romanian No 4, 25 Jan 80 pp 24-26

[Article by Dr. Emil Costin: "Improved Expansion and Exploitation of the Country's Energy Basis"]

The past decade has recorded into mankind's economic and political history one of the problems which humanity has to confront, the energy problem. The conditions under which energy has acquired priority in the concerns of nations are diverse, beginning with its role in production development and the distribution of energy resources on earth, and ending with the energy crisis.

The vigorous development of the world's economy following World War II, including in particular the strong economic growth of socialist countries, the economic advances of countries liberated from the colonial yoke, which have moved in the direction of independent development, as well as the economic expansion of developed capitalist nations, has acutely raised the problem of the development of energy industries. A decisive role in energy development and implicitly in the development of the world economy, has been played by the use of oil as energy fuel. Its qualities -- high caloric values, relatively simple utilization, non-polluting nature, and relatively low price -- have formed the basis of the energy enthusiasm era, whose fundamental postulate was energy growth one step ahead of economic development.

Romania has been the first country in the world to understand that energy resources -- oil in this case -- must be consumed sparingly. Nicolae Ceausescu, secretary general of the party, pointed this out as early as the Ninth Party Congress, indicating as an alternative the complete and comprehensive use of the hydraulic power potential, and the extensive use of coal, shale, and other materials for fuel. At a time when oil was still inexpensive and abundant, our party, basing itself on a profoundly scientific analysis of economic development, on an evaluation of the growing need for primary energy resources, and on the non-uniform geographic distribution of these resources, drew attention to the danger that can be presented by the irrational development of this key branch in the economy and in society, and took the steps necessary to avoid difficult situations.

The illusions of the energy crisis in the early 70's replaced the energy euphoriasm with a deep pessimism about energy and the economy. One theoretical expression of this pessimism has been the zero growth thesis, but strong individuals also oppose this effort toward finding means to conserve energy. The essential idea -- which became predominant -- was that economic development must evidentiate the growth of energy consumption. The energy crisis has become the major reference point for economic options and decisions.

When the energy crisis became felt at the beginning of the seventh decade of our century, the first reaction was to demonstrate that its origin was the non-reproducible nature of energy resources -- oil in this case -- and their consequent imminent exhaustion. Meadows' initial calculations in his paper "The Limits of Growth," presented to the Club of Rome, described the situation in the following terms: the world's oil reserves are about 99 billion tons, the annual consumption is about 4 billion tons, and therefore in 22-25 years, that is in 1990-1995, mankind will be left without oil, that is, without its major primary energy resource.

The alarm was sounded, and scientists began to seek new solutions, discover new oil reserves, and explore non-and unconventional sources of energy. The initial analyses were fraught with deep pessimism. For instance, a true energy hiatus was forecast for the middle of the 21st Century, caused by the disappearance of yet another important primary energy carrier, uranium.

Subsequent developments and more detailed calculations showed the possibility of using other, inexhaustible resources, such as wind, sun, and tide power. More accurate assessments were also made of oil and other fossil energy reserves; today for instance, it is considered that oil reserves alone could amount to 337 billion tons, thus presenting a somewhat more optimistic picture of the energy situation.

The problem which still remains acute, however, is the non-homogeneous geographical distribution of oil resources. Under these conditions, the known reserves are under the ownership of a restricted number of countries, while the majority of the world's nations are oil importers; in addition to this, an irrational consumption of oil still persists in economically developed countries.

Guidelines for Assuring our Country's Energy Independence

The energy crisis has caused a spectacular increase in the price of oil and fuels -- prices which are still increasing -- demanding significant currency efforts on the part of our country (25 percent of the total production importation). Under these conditions, the determination of the guidelines for Romania's socio-economic development for the 1981-1985 period, adopted by the 12th Party Congress, considered the formulation of ways and means for meeting future energy needs; these guidelines are expressed in the

Directives-Program for Energy Research and Development in the 1981-1985 Period and Broad Guidelines until Year 2000. This document establishes concrete tasks for various areas of activity, tasks designed to assure Romania's energy independence during the next decade.

According to the program's provisions, a very significant role has been assigned to scientific and technical research to provide optimum solutions for reduced fuel and energy consumptions, through the total replacement of some energy intensive technologies, and the elimination of products that are large consumers of oil and energy, so that within a short period of time -- 1-2 years -- all consumption will be reduced below the minimum level currently attained throughout the world.

Another direction of scientific research will be the formulation of solutions for using new energy sources and technologies. In the field of geothermal energy for instance, improvements will be brought to the exploitation of sources of geothermal water, seeking to extract their primary energy and to utilize geothermal heat in various stages. Also improved will be techniques for collecting and using solar energy: efficient systems will be built to transform solar power into heat, including direct conversion into electricity, new solutions will be designed into constructions and architecture, and existing approaches will be standardized. In addition, methods will be found to construct equipment for converting wind power, and low, intermediate, and high power methods for using the energy of waves.

Particular attention will be devoted to research into the biological transformation of carbon dioxide and biomass into fuels. The plans include the construction in each county, of an installation for producing combustible fermentation gas (biogas) through the transformation of agricultural waste. Improvements will be brought to methods for the comprehensive utilization (as energy and as a source for raw materials) of household wastes, and research will be expanded to formulate technologic solutions for obtaining hydrogen from water, and for its efficient storage, transportation, and utilization.

An important role in meeting energy needs will be played by the use of the country's hydraulic potential; priority will be given to the construction of comprehensive systems with applications to power, irrigations, fish farming, transportation, industry, as well as to the prevention of floods and water crests. As a result, the degree of utilization of the national hydraulic energy potential will increase from about 30 percent in 1980, to 45 percent in 1985, 65 percent in 1990, and 100 percent in the year 2000. An important objective in this domain is the complete utilization of the Danube's potential by 1990, both by developing collaborations with the countries through which it passes, and by building hydroelectric plants in its Romanian waters.

The energy program also provides for the coal conversion of plants which presently use oil, as well as the construction of new thermoelectric plants which operate with lignite and bituminous shale. Concurrently, we will seek to increase the extraction coefficients of crude oil from deposits, from 31.5 percent in 1979, to 37 percent in 1985, and to about 40 percent in the 1990-2000 period, testing for this purpose thermal methods for underground combustion, the injection of steam and carbon dioxide, as well as chemical and biologic processes. The goal will be to reduce the use of oil and gases in burning processes, so as to increase their utilization as raw materials for the chemical industry.

We will also build the first nuclear power plants, with an installed power of 960 MWe in 1985, 3960 MWe in 1990, and about 10,000 MWe in the year 2000. To this end we will accelerate the assimilation process -- to an increasing extent on the basis of our own designs -- through the fabrication of equipment, the preparation of fuel, and the production of heavy water.

Another domain which has been assigned significant tasks in the rational management and utilization of fuels and energy, is the improved organization and operation of the electric power system. The most important of these tasks are associated with the optimization of the fuel balance necessary for the system's operation, seeking to reduce the production of electric power by means of hydrocarbons, from about 40 percent at present, to about 33 percent in 1985, and to 4-5 percent in the year 2000. This will become possible as a result of increases in the hydroelectric power potential, the increased production obtained from new sources of energy, and the start of nuclear plants, the latter resources being expected to provide about 25 percent of the electric power produced in 1985, and about 51-52 percent of that produced in 1990.

Another important element considered in the program is the improvement of the power system structure in terms of the location of resource and consumption zones, a consideration which will create new possibilities for redesigning the organization of power distribution networks, simplifying their structure, and reducing transportation distances. Along these lines, conditions will be created for operating the electric power system in autonomous zones. The operational reliability of the national electric power network will be improved by using more dependable installations and equipment throughout the production, transportation, and distribution process; also initiated will be steps to install protection and automation equipment which will permit effective dispatcher operation of the system by means of process computers.

Energy Conservation -- Factor of Fundamental Importance

Within the measures adopted by the 12th Party Congress, an important role is played by those associated with the use of energy in various branches of the national economy, especially in industry. The basic objective is to achieve reduced specific energy consumptions per product unit, by redesigning outdated products and technologies. Energy balances for tooling,

installations, and enterprises will be calculated for this purpose, ensuring the conditions necessary for the efficient utilization of primary energy resources, and integrated technologies will be formulated, which will allow the successive stage processing of the energy resources resulting from different processing phases, in order to increase the yield of energy utilization.

At the same time, measures have been conceived for each of the large energy consuming branches, such as metallurgy, chemistry, and construction materials. In the metallurgic industry for instance, special attention will be devoted to the increased use of heat in all process phases, by expanding techniques for continuous steel pouring, increasing the average capacities of furnaces and the utilization of these capabilities, intensifying oxygen blowing, and improving the thermal insulation of ovens through the use of increasingly more effective insulator materials. Steel production must be oriented toward modern processes which require lower energy consumptions. Non-ferrous metallurgy is also charged with important tasks, particularly in aluminum production, which requires higher specific consumptions than ferrous metallurgy. The importance of the above becomes clear when we consider that the continous pouring process reduces the specific consumption of fuel by 80 percent and that of electric power by 65 percent[6] as compared to the conventional pouring process.

Another highly developed industrial branch in Romania, that is characterized by large specific energy consumptions per product unit, is chemistry. Acetylene, ammonia, carbide, chemical fertilizers, synthetic fibers and filaments, rubber, and plastics can be obtained by means of different processes, some of which involve high energy consumptions. The figures in table 1 are interesting in this respect: if the modern technical process for obtaining ammonia were used at the Fagaras Chemical Fertilizer Combine, the Tg. Mures Chemical Fertilizer Combine, and the Piatra Neamt Chemical Fertilizer Combine, it would lead to annual savings of 125,000 MWh, 100,000 MWh, and 300,000 MWh respectively. An extremely important feature of the chemistry branch is the existence of large quantities of secondary energy resources, amounting to about 4.2 million tcc (tons of conventional fuel) in 1979, quantities which are expected to increase in the future. This imposes that sustained efforts be made to recover and reutilize these resources, leading to significant savings of primary energy resources. Table 2 shows the results obtained in this domain at several chemical combines during 1979.

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6) [No reference to this footnote could be found in the text] This process, applied only at the Galati Steel Combine, leads to an annual savings of hundreds of thousand tcc, and brings us closer to the energy consumption level attained by advanced countries (for steel produced in this manner). The introduction of such modern technologies as the dry extinction of coke at the Hunedoara Steel Combine and the Victoria-Calan enterprise, could lead to savings of the order of [illegible in original] tcc per year, and the use of refractory materials with superior characteristics could introduce savings of the order of tens of thousand tcc per year.

Table 1. Efficiency of the introduction of modern technologies.

Product	Old technology	New technology	Reduction in fuel and energy consumption
Acetylene	Electric arc cracking or carbide	Partial oxidation	25%
Anhydrous ammonia	Udhe or Sybetra	Kellog process	20%
Crude oil	Steam heating	Direct flame heating	15%

The improved use of energy requires that the machine building industry devote greater efforts to produce sufficient quantities of appropriate equipment. And in fact, the enterprises in this industry have been assigned important tasks both to produce machinery and installations that will have low electric power consumptions, and to adopt modern technical processes which will reduce the electricity consumed during the manufacture of these very products.

Greater attention must also be devoted to improving the efficiency of heating processes by using the total capabilities of ovens, and by adopting new types of ovens for heating and thermal treatments.

Significant means for energy conservation are represented by the expanded use of modern processes of spark erosion, electrostatic coatings, improved metal welding processes, as well as the manufacture of turbocompressors, power plants based on magnetohydrodynamic generators, and coal-fired boilers of higher reliability and efficiency. An equally important approach is the construction and installation in all enterprises, and of load limiters for idling operation.

One industrial branch whose products are characterized by high specific energy consumptions, is the building materials and lumber industry. The expansion of modern technologies into this domain is very important when one considers the development rate of construction which demands an increasingly large volume of products from this branch. In particular, the production of cement by means of the dry process leads to energy savings of about 25 percent as compared to the conventional process. The use of volcanic tuff, porous rock, and cinder blocks derived from thermal power plant slag and ashes, are as many ways to reduce electric power consumption by replacing energy intensive materials. In transportation, measures must be taken to obtain an optimum organization of traffic, fully utilize the capacities of means of transportation, and introduce such modern processes as gravity hauling, domestic waterways, and so on. Energy consumption can also be reduced in agriculture, where technical processes require little power, through the efficient use of new sources of energy, such as the sun,

Table 2. Recovery of secondary resources.

Combine	Secondary resources	Total 1979 recovery (tec)
Telejean	Pyrolysis residual gas heat + heat of reaction of carbon oxides + heat of gases burned in furfurol ovens	151,580
Brazi	Torch gases + rubber condensate heat + residual heat	86,200
Borzesti	Torch gases + heat of combustion gases + heavy fuel and solvation heat	385,695
Piatra Neamt	Ammonia synthesis purge gases + carbon oxide fractions	162,194
Slobozia	Ammonia r action heat + ammonia purge gases + carbon oxide fractions	129,574

the wind, and especially biogas, which can be produced from the processing of wasted derived from agricultural processes. New approaches will also have to be adopted in the construction field, to allow a more complete utilization of the sun's light and heat, and by using thermal insulators with improved characteristics.

In order to fulfill the Directives-Program in the energy domain, significant tasks have been assigned to central organs and to each separate enterprise, as well as to their respective party organizations. As emphasized in the party documents, the latter are called upon to conduct a comprehensive and intensive political and organizational effort, aimed particularly at mobilizing workers in the mining and oil industries, the electric power branch, as well as all other branches of the national econnomy, to fulfill the tasks assigned to them in an exemplary manner; the party organizations, together with the collectives of engineers and specialists, have the obligation of uncovering all concrete possibilities existing in each county and enterprise, and to provide and disseminate the most economic solutions. Through an intensive political education work, systematically analyzing the manner in which the plans for fuel and energy conservation measures are being carried out, the party organizations must deeply implant in every one's awareness that the question of energy conservation is of vital importance for fulfilling the provisions of the 12th Party Congress, and for the continued expansion of our socialist nation.

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EFFECTS OF INVESTMENT POLICY VIEWED

Skopje NOVA MAKEDONIJA in Macedonian 31 Mar 80 p 2

[Article by F. Josifovski: "The Expansion of Alumina"]

[Text] The medium-term plan of Yugoslavia provides for a more rapid development of underdeveloped republics and provinces. For this reason resources in the Fund of the Federation have been earmarked for the more rapid development of the underdeveloped regions. It was thought that the pooling of labor and resources between organizations from developed republics and provinces would accelerate the development of the underdeveloped ones. During the past period, however, the forecasts of the plan have not been realized. The pooling of labor and resources between OZTs [Organizations of Associated Labor--OALs] from the developed regions with those from underdeveloped ones is progressing at a slow pace.

In Developed Regions--Four-Fifths

The regional distribution of resources pooled for investment is very uneven. The total amount of resources provided for investments in progress runs from 9.2 percent in Slovenia to 2.8 percent in the Kosovo. Of the total amount of resources pooled for investment, the economically developed republics and provinces receive four-fifths, and the underdeveloped ones one-fifth. According to the data, pooled resources are invested mainly in the electric industry, ferrous metallurgy, and the development of the transportation infrastructure. Investment in activities which are particularly significant for the overall development of the country is greater than investment in the development of the agricultural complex, the production of raw materials, and tourism.

The pooling of labor and resources between OALs from developed republics and provinces and related organizations from underdeveloped ones is almost symbolic. Out of 649 billion dinars in investments in progress, only 0.28 percent has been invested in underdeveloped republics and provinces. Only a small number of cases of joint investment have been registered. There are even instances where organizations from underdeveloped republics and provinces, which otherwise lack resources, have invested and engaged in the construction of new facilities in developed areas. Among them is

Alumina of Skopje which has constructed production units in Skender Vakuf in BiH [Bosnia and Hercegovina], and Sid in the SAP [Socialist Autonomous Province] of Vojvodina.

Unity Between Social Interests and Those of Associated Labor

"The accumulation and surplus in developed regions are applied toward the solution of their own problem," states Eng Milan Dzajkovski, director of Alumina. "Organizations are rounding up the technological processes. Investment of resources in some other place is not attractive. There is no pronounced financial interest in investing in the construction of new production facilities in other places and republics. We perceive an interest only in expanding the market. We are conducting an organized expansion of the market in Yugoslavia. By investing jointly we would be attending to our own as well as the social interest. There must be a unity between sociali interest and that of associated labor...."

The Alumina work organization prepared the entire technical and technological documentation for the construction of the new production units which operate as basic organizations of associated labor in Skender Vakuf and Sid. They produce finished aluminum products: doors, window-frames, etc. The investment program was prepared by experts from Skopje. The production facilities in Tetovo and Stip were also constructed with the financial assistance of Skopje's Alumina. In Tetovo, where aluminum tubes are produced, there is also a foundry for prealloys. Construction material for hotbeds, which has high demand on the market, is produced in Stip. Both of these facilities were constructed with resources from the Federal and Republic Funds for subsidizing the more rapid development of economically underdeveloped regions. The pooling of labor and resources, and joint investment, results in the creation of new production facilities. The Alumina work organization facilitated the more rapid development of smaller places not only in Macedonia but also in other republics and provinces.

Not Only a Material Interest

"A unified Yugoslav market must exist," states Eng Milan Dzajkovski. "We must struggle effectively to remove the sources of local enclosure of the economy, the use of monopolistic position, and territorial limitation of social resources. There are also many systemic questions which preclude the possibility of capital inflow, i.e., of resources, from developed republics and provinces to underdeveloped regions. They should be solved. Associated labor should be enabled to find economic interests in the pooling of lab or and resources, and investment in other places. At present organizations do not have a pronounced interest in investing in new facilities outside their commune [opstina] and republic."

The interest in investing in other places does not have to be only of a material nature. Alumina, with its new production facilities which operate as independent OALs, is expanding the market. It views its own development throught the construction of similar facilities in other republics, and it is against regional enclosure of the market. It does not set conditions for the construction of new production facilities or demand benefits, as do many other larger organizations from more developed regions.

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